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REWRITE OF THE FOREIGN ASSISTANCE ACT
OF 1961 AND FISCAL YEAR 1995 FOREIGN
ASSISTANCE REQUEST

(Part 1)

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Rewrite of the Foreign Assistance A...

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

H.R. 3765

FEBRUARY 3, 9, 23, 24, AND
MARCH 15, 1994

Printed for the use of the Committee on Foreign Affairs



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CONTENTS

WITNESSES

	Page
Thursday, February 3, 1994:	
Hon. Richard M. Moose, Under Secretary of State for Management	2
Hon. J. Brian Atwood, Administrator, U.S. Agency for International Development	4
Wednesday, February 9, 1994:	
Hon. Andy Maguire, president, AT International	40
Hon. Julia Taft, president, Interaction	41
Ms. Cheryl Bartz, director of programs, National Peace Corps Association	42
Mr. John Sewell, president, Overseas Development Council	44
Mr. Richard Bissell, former AID Assistant Administrator	45
Ms. Barbara Bramble, director, international programs, National Wildlife Federation	47
Mr. David Beckmann, president, Bread for the World	61
Mr. Albert Barclay, professional services council chairman, International Development Task Force	62
Mr. Thomas Getman, World Vision Relief and Development, Inc., director of government relations	64
Ms. Vivian Derryck, president, African American Institute	65
Mr. David Sammons, associate dean and director of international programs in agriculture, Purdue University	67
Wednesday, February 23, 1994:	
Views and Estimates Report (no witnesses)	71
Thursday, February 24, 1994:	
Hon. Warren M. Christopher, Secretary of State	79
Tuesday, March 15, 1994:	
Hon. Richard Armitage, Armitage and Associates, and former Ambassador	127
Mr. John H. Costello, president, the Citizens Network for Foreign Affairs	130
Mr. Phillip Fishman, assistant director, International Affairs Department, American Federation of Labor and Congress of Industrial Organizations	132
Ms. Holly Burkhalter, Washington Director, Human Rights Watch	133
Lucinda Low, vice chair, section of international law, American Bar Association	135

APPENDICES

APPENDIX 1

Thursday, February 3, 1994:	
Prepared statements:	
Hon. Richard M. Moose	159
Hon. J. Brian Atwood	167
Hon. Eni F.H. Faleomavaega	180
Hon. Benjamin A. Gilman	182
Hon. Donald Manzullo	183
The Peace Development and Democracy Act of 1994—Executive Summary	185
Strategy Papers (papers submitted by AID to support H.R. 3765)	213
Questions submitted for the record to Under Secretary Moose and AID Administrator Atwood and responses thereto	268

IV

APPENDIX 2

Wednesday, February 9, 1994:

Prepared statements:

	Page
Hon. Harry Johnston	327
Hon. Andy Maguire	328
Hon. Julia Taft	329
Ms. Cheryl Bartz	335
Mr. John Sewell	339
Mr. Richard Bissell	354
Ms. Barbara Bramble	361
Mr. David Beckmann	367
Mr. Albert Barclay	383
Mr. Thomas Getman	391
Ms. Vivian Derryck	395, 397
Mr. David Sammons	406
Hon. Donald Fraser	411
Church world Service/Lutheran World Relief	423
Central American Working Group	429
Additional questions submitted for the record by Hon. Benjamin Gilman and responses thereto	451

APPENDIX 3

Wednesday, February 23, 1994:

Views and Estimates Report to the House Budget Committee on the Fiscal Year 1995 International Affairs (150) Budget Function	457
--	-----

APPENDIX 4

Thursday, February 24, 1994:

Hon. Warren M. Christopher, prepared statement	461
Questions submitted for the record to Secretary of State Warren Christopher and responses thereto	474

APPENDIX 5

Tuesday, March 15, 1994:

Prepared statements:

Mr. John Costello, with attachments	497
Mr. Phillip Fishman	513
Ms. Holly Burkhalter	526
Ms. Lucinda Low	536
Letter from Mr. John M. Palmer, executive director, Helen Keller International, to Hon. Lee Hamilton, dated March 15, 1994	577
Mr. Richard Long, Washington Representative, International Reading Association	580
Letter from Hon. Tom Lantos to Warren Christopher, dated April 1, 1993, regarding U.N. standard minimum rules for the treatment of prisoners	583
Letter from Robert H. Atwell, president, American Council on Education, dated May 5, 1994, to Hon. Lee H. Hamilton	585

HEARINGS ON THE REWRITE OF THE FOREIGN ASSISTANCE ACT OF 1961 AND FISCAL YEAR 1995 FOREIGN ASSISTANCE REQUEST

Part 1—Full committee

Part 2—Subcommittee on Europe and the Middle East

Part 3—Subcommittee on Economic Policy, Trade and Environment

Part 4—Subcommittee on International Security, International Organizations and Human Rights

Part 5—Subcommittee on Western Hemisphere Affairs

Part 6—Subcommittee on Asia and the Pacific

Part 7—Subcommittee on Africa

Part 8—Full committee markup

(v)

H.R. 3765—PEACE, PROSPERITY AND DEMOCRACY ACT OF 1994

THURSDAY, FEBRUARY 3, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to call, at 10:05 a.m., in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the committee) presiding.

OPENING STATEMENT OF HON. LEE H. HAMILTON

Chairman HAMILTON. The Committee on Foreign Affairs will come to order. First of all, let me say to Mr. Moose and Mr. Atwood that we are delighted to have you here this morning and very pleased that you have submitted legislation rewriting the Foreign Assistance Act of 1961. We have appreciated the serious consultations that you have engaged in with the Congress on the draft that was submitted in November.

The official request, which was transmitted yesterday and was introduced by Mr. Gilman and myself as H.R. 3765. This is an important legislative effort to further our national interests. We face, of course, new foreign policy challenges but we are using a cold war statute with many outdated, irrelevant, inconsistent provisions that inhibit the identification of our priorities in the conduct of American foreign policy.

So I think there is broad agreement that we need a new statute and a renewed consensus if we are to draft legislation that will help us meet the policy challenges of the 1990's and beyond.

Among the questions that we will focus on is:

Why is foreign assistance in the national interest?

Why is foreign assistance reform needed?

What practical difference will foreign assistance reform make?

I want to remind members that the hearing today is specifically on the legislation to rewrite the Foreign Assistance Act of 1961. Levels of assistance in the fiscal year 1995 budget request will not be sent to the Hill until next week. And they will be the subject of a hearing with Secretary Christopher that is now scheduled for February 24.

I would note that, because the committee requested advance copies of the administration's bill, some members may have a copy of the bill and other materials that have a different title from that on H.R. 3765.

Gentlemen, we are delighted to have you with us today. We look forward to your testimony. The Honorable J. Brian Atwood is the Administrator of the U.S. Agency for International Development.

And we are pleased also to have the Honorable Richard M. Moose, who is the Under Secretary of State for Management.

You want to go first, Mr. Moose. All right, sir. That is fine with us. You may proceed.

STATEMENT OF RICHARD M. MOOSE, UNDER SECRETARY OF STATE FOR MANAGEMENT

Mr. MOOSE. Thank you very much, Mr. Chairman, members of the committee. Mr. Chairman, I do have a prepared statement which I would offer for the record.

Chairman HAMILTON. That statement will be entered into the record in full.

Mr. MOOSE. Thank you very much.

Mr. Chairman, I couldn't be more pleased to be here today on this occasion and in front of you and your committee with my long-time and excellent friend Brian Atwood.

The legislation before you today, the Peace, Prosperity and Democracy Act, represents the Clinton administration's initiative to achieve the long-overdue reform of which you have spoken. This is an objective, of course, long sought by members of this committee, including yourself and its distinguished ranking minority member.

In asking to appear before you today I mean to convey to you Secretary Christopher's strong personal support for this bill. He is committed to seeking these reforms as a part of the administration's effort to open a new era in America's foreign policy. Our goal is to make foreign assistance and other international cooperation programs function more effectively as tools of U.S. policy. Thus, we regard this not just as a traditional foreign aid bill, it is a foreign policy bill.

We face as a nation dramatically changed international conditions and problems but we inherited policies and institutions still geared in many ways to the conditions and needs of the cold war. The authorities and accounts in the existing foreign assistance act based on functional types of aid, for example, foreign military financing, ESF and development assistance, in many instances are no longer appropriate as links between our new foreign policy objectives and those programs.

The new Peace, Prosperity and Democracy Act then represents an effort not only to update and to rationalize our foreign assistance authorities but also to place those authorities in a framework that ties overseas programs to the objectives of our foreign policy. The new act will authorize programs across the full range of international activities, but instead of functional authorities, the new act is organized around mutually reinforcing strategic objectives.

The objectives which form the building blocks of the new act are promoting sustainable development, building democracy, promoting peace, providing humanitarian assistance, promoting growth through trade and investment, and advancing diplomacy. These same objectives are endorsed by Secretary Christopher as the basis for our policy.

As the committee shall shortly see, the administration's function 150 international affairs budget will be built also around these very same six objectives. Indeed, they are inherent in the overall title of this bill, Peace, Prosperity and Democracy, and they name the first six interior titles of the bill.

Secretary Christopher led the process that shaped the 150 budget. And the President will look to him for its implementation. The Secretary considers this bill to be a central instrument of our policy. My presence is symbolic of that fact, and the joint presence of Brian and myself is symbolic of the teamwork with which this administration intends to pursue a common set of objectives.

We believe that these objectives are widely shared by Americans of all parties. We believe that they contribute to the well-being of all Americans. And we invite the Congress through its action on this bill to join the administration in their pursuit.

We have put economic competitiveness at the heart of our foreign policy as we must in a global economy. We want to promote prosperity at home and abroad. Strong and growing economies that result from sustained development mean better standards of living abroad and larger markets for our products.

We also have to continue our efforts to advance the cause of democracy. We must continue efforts to promote political and economic reform in the newly independent states of central and Eastern Europe. Americans have a huge stake in the success of those reforms. At the same time, we must not forget the countries in the other parts of the world that are struggling to modernize their structures, political and economic.

Promoting peace is essential to our own security. Title III of our proposed bill will provide for multilateral peacekeeping and our support for the Middle East peace process. Chapter 1 of Title III seeks to consolidate existing accounts for U.S. assistance and voluntary peacekeeping contributions. The authority in that chapter is part of a broader new policy to enable us to better manage U.S. involvement in international peacekeeping operations.

A centerpiece of this new policy is a sharing of responsibility between State and Defense for managing and funding peacekeeping operations.

Title IV covers humanitarian assistance, the most tangible expression of the values of the American people.

Finally, I want to note that the practice of diplomacy is critical to our success in achieving these goals and priorities. Through a network of over 260 overseas posts, the State Department exercises leadership and provides the operational support necessary to advance U.S. foreign policy goals by all overseas agencies of our Government. We have included Title VI, Advancing Diplomacy, in the new Peace, Prosperity and Democracy Act to make clear that without skillful, well-supported diplomacy our overseas programs are unlikely to contribute to the realization of our national goals of prosperity and peace.

Mr. Chairman, as you know, this bill is a product of a long and close consultation between the executive branch and the Congress. The administration appreciates the efforts that you and your staff have invested in helping us draft this proposal. We take this effort

seriously. And on behalf of Secretary Christopher, I look forward to working with you to move this legislation.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Moose appears in the appendix.]
Chairman HAMILTON. Thank you very much, Secretary Moose.

Administrator Atwood. Your statement, likewise, will be entered into the record in full.

STATEMENT OF J. BRIAN ATWOOD, ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. ATWOOD. Yes. Thank you very much, Mr. Chairman. I am very pleased to be here with Dick Moose, a person that I have worked with over the years, both in the Congress on the staff side in the Senate, and also during the Carter administration. Both of us have worked the other side of the Foreign Assistance Act over the years and share some responsibility with, of course, our Senators for adding to the burden of this act.

I am delighted that this day has finally arrived, Mr. Chairman. In September we met with you and with Speaker Foley and Senator Sarbanes, and a number of others, to talk about our plans to present a reform proposal to you. Secretary Christopher, Tony Lake and I made a commitment that we would try to work this through the executive branch as soon as possible. And I believe we have fulfilled that commitment.

It's a very happy occasion today to actually see the bill presented formally to you. This is a bill that was the result of a lot of consultations, as you know, with members and staff over the last several months.

I testified before this committee on May 12, 1993, soon after I was confirmed as Administrator. I committed myself to undertaking a series of reforms at USAID. Today that after 9 months, Mr. Chairman, that reform program is well underway.

We have announced the closure of 21 of our field missions overseas to bring more focus to our program. Indeed, we were spread much too thin around the world. In some cases, we have done this because the countries no longer require concessional grant assistance—in other cases, because the recipients have proven to be poor partners of the United States in the development process; they've been nonperformers.

In itself, the decision to reduce countries for the first time since our aid program began is a major change of policy. It's an approach that I think is reflected in this proposed legislation.

We've also directed an agency-wide reorganization and a right-sizing effort that will simplify and streamline the Agency for International Development. We've made personnel decisions that are painful, especially those that affect the senior ranks of USAID. We expect to reduce overall USAID staff levels by 5.5 percent in the first 2 years of the Clinton administration.

We have reorganized USAID in Washington by eliminating redundant layers of bureaucracy and combining organizational units. Eventually, we hope to increase our field presence while reducing the Washington office. A message that we received from the Congress that the unique capability of USAID is in the field.

We've introduced a systemic reform of USAID's grant and contract mechanisms to make them more transparent, efficient and responsive. We are reengineering our project design and implementation procedures to reduce the time it takes to get a project started. That period of time was about 2 years. We'd like to see it happen in 6 months. Even despite that fact, we are still the fastest development agency in the world, but it's not fast enough for us.

As you know, we have established USAID in its entirety as a reinvention lab under the Vice President's reinvention of government program. And we've included the creation of an agency-wide quality counsel to involve the employees of USAID in the process of revitalizing the agency.

We have begun the process of strengthening the interaction at the most senior levels of USAID and the State Department to improve and speed decisionmaking and encourage cooperation at all levels. It's clear in the Secretary of State's statements that sustainable development and long-term development are an essential part of our foreign policy. All of the recommendations that relate to USAID in the past were that we improve this relationship.

We are trying to create a de facto merger with the State Department as opposed to a de jure one.

We have established a systematic program of consultations with outside groups that represent all segments of American society to help us reinvent USAID and to carry out our mission. These outside groups represent business, labor and private voluntary organizations, among others.

We have issued detailed strategy papers for our program managers on how to achieve sustainable development. And we've presented these strategies. I believe, Mr. Chairman, that you have a copy of these strategy papers. I would like very much to have these placed in the record if that would be possible.

Chairman HAMILTON. Without objection, the strategy papers will be placed in the record.

[The information appears in the appendix.]

Mr. ATWOOD. Through these reforms we hope to create a national development agency that will be more capable of achieving, measuring and reporting results. We want to engage in effective strategic planning at the global, regional and country level. We want to focus on a small set of interrelated goals and apply resources and methods that fit the specific situation we find in country, the resources and methods that are the most likely to help us meet each of our four goals that we established under sustainable development.

We want to coordinate more effectively with other U.S. Government agencies and with other donors to implement our strategic plans. We want to place a premium on the participation of people in the development process as the primary way to achieve sustainability. And we want to work more effectively in transition situations to help the international community fill the gap between conflict resolution and long-term development. That is why we have created at USAID an office of transitions initiatives.

Mr. Chairman, after 9 months, we are well on our way to creating the organizational structures and the systems we will need to create such an agency. But we lack one essential ingredient, a new

partnership with the Congress. The legislation before you is absolutely essential if we are to complete the reform of our foreign assistance programs.

I believe the bill reflects a bipartisan consensus in favor of reform, a consensus that has grown out of earlier efforts such as the Hamilton-Gilman Report in 1989, and the bill submitted by the Bush administration that was passed separately by the House and the Senate. It is a charter that we present to you today, valid not just for today's contingencies but for the future as well. The bill is a broad framework wherein this administration and future administrations alike should be able to pursue their specific policies.

It reflects the recommendations of the national performance review by emphasizing results as opposed to resource inputs. And this was a point that was made by the Hamilton-Gilman Report as well; it said that the current system of accountability focuses "on anticipating how assistance will be used rather than on how effective it is."

The broad accounts of this bill will encourage both the executive branch and the Congress to think more strategically. It will mandate better coordination by its very structure.

For example, under Title I, Sustainable Development, we will have to weigh the resource implications of pursuing a global objective such as the environment through bilateral or multilateral programs.

Finally, Mr. Chairman, I believe this legislation will enable us to make a more effective case to the American people that our foreign assistance programs are in their interests. We are pursuing goals with our foreign assistance programs that relate directly to those domestic interests. The broad categories and subcategories of this bill will better enable us to explain that foreign assistance helps create jobs by expanding markets and promoting U.S. exports. It helps us achieve environmental security against such threats as global warming. It helps us counter terrorism and narcotics and international crime, all of which impact on the American people. It helps us battle diseases that know no borders, such as polio and AIDS. And it will enable us to help stabilize the population growth that is sapping nations of their growth potential and is forcing people to migrate to find a better way of life.

Mr. Chairman, I ask you to look at the original 1961 act. I now ask you to look at the act as it has evolved over the years; it is a little shopworn, I would suggest. I would also suggest that this act, in its current form, has made legal advisors in the executive branch as important as policymakers. It has seriously complicated Congress' oversight role because, as you have suggested in the Hamilton-Gilman Report, the system of accountability looks exclusively at the amount of resources we're spending as opposed to the results we achieve.

It has often rendered us, the remaining superpower, incapable of rapid response. It has forced us to think very narrowly about funding sources rather than helping to think and act strategically. And it has convinced too many of our people for too long that our foreign aid program is nothing more than international welfare, welfare that serves the interests of others rather than our own.

I think we can fix this, Mr. Chairman, if we seize this moment. You saw the need in 1989. It is even more acute today. I hope that today's hearing will begin a bipartisan process that will produce a statute that will serve the Executive, the Congress, and the American people for years to come.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Atwood appears in the appendix.]

ACCOUNTABILITY

Chairman HAMILTON. Thank you very much, Mr. Atwood.

We will begin with questions from members now. Let me start off with the general topic of accountability. As I look at the various titles of the bill, I gather Title I, Sustainable Development, that's really USAID's responsibility; right?

Mr. ATWOOD. For the most part, yes, sir.

Chairman HAMILTON. And you can go through the other titles for the most part. Promoting peace is Title III. That would be largely State Department, I presume. Title IV, Providing Humanitarian Assistance, would be largely USAID. And so forth.

But the one I wanted to focus on was Title II. Who is responsible for Title II in terms of accountability, the building democracy title?

Mr. ATWOOD. Mr. Chairman, we understand the importance of that question. We are in the process now of creating an interagency committee to look at democracy programs. We, of course, have made democracy an essential ingredient of our foreign policy, as did the previous administration.

The inter-agency committee that is envisioned would be chaired by the State Department. Programs under Title II are designed for transitional situations or for situations wherein we wish to be supporting a democratic movement even in a closed society.

It is very, very important that we have the flexibility that is indicated under Title II to move in that direction. The State Department will take the lead but we, the Agency for International Development, will be on that interagency committee. And we will be better able to coordinate what we do under Title II with the long-term development needs that we have under Title I.

Democracy is an important aspect of our sustainable development goals. But those are long-term goals. There may be situations such as, in countries like Venezuela where democracy is threatened, and where we don't have a sustainable development USAID mission where we wish to undertake some support of democracy. That would be done under Title II.

Chairman HAMILTON. Well, we are very concerned about accountability, what agency or department has responsibility. We saw some ambiguity on Title II. We may want to look at that a little more closely now.

Will USAID be responsible for the SEED program in the Freedom Support Act, for example?

Mr. ATWOOD. What we have done under those two acts is to incorporate them in this proposal because they were very recently adopted by the Congress.

As you recall, under both of those acts, the coordinator for assistance for Central Europe and Eastern Europe and the NIS was es-

tablished in the State Department. That means that the inter-agency coordination occurs at the State Department level. USAID has approximately 60 percent of the programs that are undertaken under those two acts. And we, of course, make sure, with respect to policy goals, that our actions are consistent with those set by the coordinator at the State Department.

Chairman HAMILTON. USAID would have the responsibility for implementation and management of both the SEED and the Freedom Support Act; is that?

Mr. ATWOOD. About 60 percent of the resources under that act come to USAID for project implementation.

Chairman HAMILTON. If you look at the general provisions under Title VIII, I am struck by the fact that the responsibilities of the Secretary of State, the responsibilities of the Secretary of Defense are spelled out in some detail. But when it gets to the U.S. Agency for International Development it is not very specific.

Why is USAID's role not more specifically defined there?

Mr. ATWOOD. Mr. Chairman, as you know, all of the authorities under the act that we've requested are Presidential authorities. They would be delegated by the President. It is clear that the Sustainable Development and Disaster Assistance authorities of the act would come to USAID, as is currently the system.

We would be prepared, obviously, as we prepare the Executive orders that would delegate these authorities, to consult with you, and would hopefully do that in a timely way prior to the markup so that you would understand exactly how we would expect to delegate authorities under this act.

"NOTWITHSTANDING" PROVISIONS

Chairman HAMILTON. OK. Then, finally, let me just say before I go to Mr. Bereuter, who I think was the first minority member here, you talked about the problems of legal advisors and how they can mess up the implementation of the act. That's an outrageous assault on lawyers but we'll take it anyway. But you've got a lot of "notwithstanding" provisions in there, 33 of them to be exact. And my experience is that "notwithstanding" provisions are an open invitation for the lawyers to go to work.

So maybe we need to work a little bit on the "notwithstanding" provisions, don't you think? I mean, I understand you want flexibility and you've got to clear the decks so far as the legal authorities are concerned, but when you have that many "notwithstanding" provisions it seems to me that you are complicating the interpretation of the act.

Why don't you just draft the provisions in such a way that you don't need the "notwithstanding" provisions?

Mr. MOOSE. Well, if I may attempt to respond to that, Mr. Chairman, notwithstanding the fact that you're a better lawyer than I am. In a sense, one of the reasons why this phrase appears as frequently as it does is illustrated by the size of this volume over here.

The body of law has become so complex that it is very difficult for one to dip one's stick into this without coming across something that lies in the corpus of it which is going to run afoul of the intent and purpose of a new provision.

We feel that in drafting this act we are trying to establish some now, some greater flexibility to enable the executive branch to respond in new and uncertain situations. We have not invoked this clause in a specific effort to avoid oversight or to escape responsibility. Indeed, we have added very few "notwithstandings" that were not already in the law.

It's just that when you attempt, as we have, as the drafters of the act did, to pull as many things together in a new framework one discovers that there are a lot of "notwithstandings" already in there. And it kind of looks like we've laid them all end to end. But in fact, I believe we've only added two of them. One has to do with countries in transition and the other probably has to do with peace-keeping.

So, in fact, there are very few new ones. There were a lot of them in there already. They just stick out in this bill.

Chairman HAMILTON. Well, I can understand when you are dealing with that 1961 act why you would be forced to the "notwithstanding" approach on a number of occasions. Here we are drafting a clean bill. And it would seem to me we would try to reduce them.

I just want to alert you to the fact that we have our eye on these "notwithstanding" clauses and we want to work with you to minimize them.

My general impression is that these "notwithstanding" clauses invite what you don't want, and that's micromanagement of the program. And the fewer we have of them the better. Although, the reasons for them, as you have very stated, are obvious to us. But as we work through the act we are going to keep our eye on these as well as some other things.

Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman. I ask unanimous consent that a statement from Mr. Manzullo be made a part of the record.

Chairman HAMILTON. Without objection.

[The prepared statement of Mr. Manzullo appears in the appendix.]

Mr. BEREUTER. And, Mr. Chairman, I ask unanimous consent that this member and all members be allowed to submit written questions to the State Department and USAID as a part of these hearings.

Chairman HAMILTON. Without objection.

DEVELOPMENT FUND FOR AFRICA

Mr. BEREUTER. Thank you, Mr. Chairman.

Gentlemen, thank you very much for your testimony. I am having some difficulty getting through the draft of the legislation, it is so voluminous. But I appreciate the work that you have done.

I am particularly noticing chapter 2 of Title I which provides policy statements on the Development Fund for Africa. This was an initiative by Mr. Wolpe, a former member of this committee, with broad bipartisan support. It was a way of assuring that Africa was not neglected, as it has been routinely, even by well-meaning administrations, in the distribution of funds, especially when funds were earmarked for other countries in other regions of the world.

And I note with regret, unless I have missed it, that there is no specific dollar authorization for the Development Fund for Africa in your proposal. I understand that you are trying to avoid earmarks but yet there are earmarks for some countries that survive. And I just wanted you to know, gentlemen, that I am committed to maintaining an earmark for the Development Fund for Africa because I know it will be neglected by this and future administrations no matter how well meaning unless we specifically earmark a given amount of money for the Development Fund for Africa.

That is the history. And as long as funds are earmarked for some countries in some regions there is going to be an earmark for the Development Fund for Africa. I am committed to working with the Black Caucus on a bipartisan basis and with anybody else to assure that that comes about.

I wanted to lay that on the record. I have communicated that to the chairman and the ranking member and everyone else. You may as well help us with your best effort to put that earmark in here because it is going to be here. I hope that is clear as a statement on my part. You can take that into account if you care to.

The second thing I wanted to focus on and to compliment you is that I think that the basic thrust of House Concurrent Resolution 100, which was introduced by myself and Mr. Hall from the Hunger Committee vantage point and now has 160 cosponsors, has found its way into your draft in a very substantial fashion. And I commend and thank you for that effort.

The central priority statement is there. There are no proposed funding levels for it at this point that we can react to. I assume it assumes annual authorization and appropriation actions in various categories to implement those objectives. And one of the questions I would have is related to a part of that resolution which reads, "Whatever agency is primarily responsible for administering assistance should be insulated from the short-term nondevelopmental interests." Yet section 8104 of the proposal makes USAID "subject to the supervision and direction of the Secretary of State."

So my question is, what is to prevent the development programs in this proposal, particularly those in Title I, from being distorted and becoming ineffective because of more short-term pressure on USAID?

Mr. ATWOOD. Mr. Bereuter—

Mr. JOHNSTON. Would the gentleman just yield?

Mr. BEREUTER. I would be pleased to yield to the gentleman from Florida, the chairman of the Africa Subcommittee.

EFFECT OF THE PENNY-KASICH BILL ON THE AFRICAN DEVELOPMENT FUND

Mr. JOHNSTON. Would you tell us what the Penny-Kasich bill that is coming up this afternoon would do to USAID and to the Development Fund for Africa?

Mr. ATWOOD. Yes, I would indeed be happy to comment on that. Let me just say that with respect to the Development Fund for Africa that our commitment to Africa remains as strong as it has. Africa is the only region in the bill that is specifically recognized in Title I.

Of course, Title I, Sustainable Development, does not authorize specific amounts for any region. We do understand and respect the position that you take. It so happens that it's fully consistent with this administration's approach to Africa. What we are trying to do, of course, is to create a charter that would be used for future generations, future administrations as well.

I just returned from southern Africa myself where I had an opportunity to visit Botswana and speak at the Southern Africa Development Community (SADC) Conference. I went to Mozambique, which is an interesting country because of the story it tells that relates to this particular bill. And I went to South Africa as well, where there is a very exciting transition taking place.

Our commitment will be reflected in the budget request that the administration makes. And you will see that request next week. And I think you will see that we are maintaining our support for Africa.

With respect to the question you asked about how are we assured that this bill will protect sustainable development so that it is not politicized or used for short-term interests, we heard the message from Congress loud and clear in consultations that we went through on that issue. And we have fenced off Title I from the other titles. It has to be used for sustainable development. Monies from that title cannot be transferred to other objectives. So I believe that accomplishes the purpose.

With respect to the fact that the USAID Administrator reports to the Secretary of State under this bill, this is what has occurred over the years. There have been efforts to give more independence to the USAID Administrator. It's very unrealistic. It seems to me the Secretary of State needs an advisor on development issues. Development has become all that much more important to foreign policy. And it is unrealistic to think that the USAID Administrator is somehow an entity independent of the foreign policy of the United States.

So I believe that this bill reflects reality and is appropriate.

Mr. BEREUTER. Thank you. If you fenced it off as you indicate, I think that is an important reassurance.

Thank you, Mr. Chairman.

Mr. GEJDENSON. I don't know if you want to answer the question on Penny-Kasich. Maybe you ought to wait until Mr. Johnston returns.

Mr. ATWOOD. All right, I will.

BUILDING SUPPORT FOR FOREIGN ASSISTANCE

Mr. GEJDENSON. My first instinct is that we are in some bit of trouble here now that the cold war is over. That for 50 years we sold the foreign assistance program as an attempt to stop Soviet expansion. With the break-up of the Soviet Union, it makes it harder to market foreign involvement and to continue our role in international relations.

Having just finished Richard Reeves' book on *President Kennedy*, though, he had the same problem in the midst of the hottest part of the cold war. He kept trying to find new titles for the Foreign Assistance Act to try to build more support.

It seems to me the only way we are going to do that over the long haul is if we convince the American people that there is some utility to what we are doing. I was of age when "The Ugly American" came out and believe that image still hangs over us as a cloud in the Foreign Assistance Act. However, we are much more effective than we were then.

I think we need to focus in a couple of areas. One is capital projects. I realize this area has been resisted by a lot of people in foreign assistance. But the area where we get into trouble with foreign assistance, for example, DEA had a drug program in Bolivia, and were provided funds through DEA, not through the Foreign Assistance Act, to buy Jeeps so they could go out to the countryside. DEA ended up using American taxpayers dollars to buy Isuzu jeeps. It is this example which comes back to haunt us.

In countries where we have significant foreign assistance programs, Egypt a case in point, American companies compete with Japanese companies that have then direct assistance for that particular sale. So the American dollars go in, the American companies come in and they find that they are competing project to project and the general assistance does not weigh in.

It seems to me that what we need to do is to make sure that, one, we use this to help the countries that need help but, also, to help Americans be more competitive overseas. And that will convince at least one portion of America that there is a real benefit to us. And not to equate ourselves to the post-colonial era; but if you go back to the countries that had Spanish, French, you know, what have you colonial presences, they end up buying those products. Our foreign assistance does lead to the purchase of American goods and services, therefore we ought to make that a primary focus when we consider foreign assistance legislation this year.

The one place where I think you have not given sufficient emphasis is, frankly, on microenterprises. The President has strong commitment to this issue. We have had some 60 Members of Congress write on this issue to the President. This is an area where we can work best through private, nonvoluntary, private voluntary organizations and through existing agencies to help small people, people who are at the bottom of the economic ladder pull themselves up.

And I know it is difficult to focus on, you know, \$100 loans rather than \$10,000 or \$1 million projects, but I think the long-term political payoff in this country and around the world is significant in those two areas.

And I would like you to respond to those and then I will have some follow-up.

MICROENTERPRISE PROGRAMS

Mr. ATWOOD. Thank you very much, Mr. Gejdenson. I know you have been a leader in both of these areas on Capitol Hill. And I want to tell you that with respect to microenterprise, we couldn't agree with you more. You mentioned that the President is fully committed on this. So are we.

We are announcing a new initiative on microenterprise. We are already conducting microenterprise programs around the world. I just visited the Women's Finance House in Botswana and visited a woman, who was living at a subsistence level, who took a small

loan of about \$300 and bought a couple of sewing machines and has a thriving business now.

I suggested to the woman that one day we will see her name on the front of a department store in downtown Botswana. That is exactly the kind of program that we want to support as part of a broad-based economic growth strategy.

But what we are doing under this new initiative that we are taking at USAID is to create an office in our global bureau that will provide matching grants for PVO's and microenterprise work. It will offer guarantees for micro and small enterprises. It will support and disseminate information. It will create funds for startup activities to encourage our field missions to undertake these innovative programs that involve some risks.

Microenterprise work is not something that has been mainstream in the agency. We are going to make it mainstream, I can assure you.

It is mentioned in the policy language of this bill as the essential ingredient in our broad-based economic growth strategy.

So I can assure you that we fully support the microenterprise aspect.

With respect to capital projects, we believe that capital projects that are developmentally sound are essential. And I have just visited some in Mozambique, where the reconstruction of that country is important if we are going to achieve sustainable development.

The bill does provide a number of credit and related authorities for us to work in the informal sector to provide access to credit. It provides authorities to help establish the framework for capital markets, banking systems and a vibrant private sector.

But let me just say that with respect to Title I, Sustainable Development, it will be difficult, given the funding levels we have there to be encouraging the large kinds of projects that you do see under some other titles of this bill, for example, the funding that we provide to Egypt. We are able to compete, as you suggest, with the Japanese in these larger projects. That is very much a part of the administration's approach. But we don't want to be taking large amounts of money out of Sustainable Development for the poorer countries of the world because that would simply rob them of the economic growth they need so that our businesses and theirs are in a win/win proposition.

We are not opposed to capital projects. We just think that the Eximbank, OPIC and Trade Development Agency and others have a larger role to play. USAID wants to play the role of creating a demand for American exports. That means encouraging economic growth on the ground.

ENCOURAGING ECONOMIC GROWTH

Mr. GEJDENSON. Not to simply applaud the work of TDA and a lot of good agencies you mentioned, but TDA was just in my district with a project to get American-made jet engines put on Russian aircraft that has the potential of bringing in \$1 billion worth of sales to this country to a Connecticut company and another company. That means 25,000 new American jobs will result from this type of assistance. So those are the places we can make a major difference.

I led a trade mission a year ago to a country. I think that all of us need to get into the business of connecting American industry with opportunities overseas to reinforce America's understanding that our continued participation in the world, even with the end of the Soviet empire, is a necessity from a political point of view but also from an economic point of view. It is the key to our economic future. And if we try to withdraw to our own borders it will be at our own economic damage.

Mr. ATWOOD. Mr. Gejdenson, just one final comment on that. I agree with you entirely. We have to be very understanding of the need to encourage economic growth, particularly in the developing world. That's where the opportunities have come for American exports in recent years, an increase of about \$20 billion a year in American exports to the developing world. So we have had a major responsibility in encouraging that growth.

However, one caveat. If we encourage countries to accept mixed credits with ties to capital projects that are not developmentally sound, we could endanger that economic growth and that, in the long run, would not be in the interests of American business.

Mr. GEJDENSON. In either country, without any question.

I look forward to working with you on these issues, particularly the microenterprise issue and the capital projects. Thank you.

Chairman HAMILTON. Mr. Faleomavaega.

MISSION CLOSURES

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

I certainly would like to offer my personal welcome to Mr. Atwood for taking on such a formidable task and heading up an agency that over the years has been rife with criticism, administratively and policy-wise. It always seems that USAID is doing one thing and our economic and agricultural policies go another way. Our foreign policies also do not seem to coincide with some of the things that USAID has done over the years.

One of the concerns that I raise, Mr. Atwood, and maybe you could address, it concerns the mission closures. There is always that apparent fear that when you close the missions that means goodbye; You are not going to see a U.S. presence giving the kind of assistance that these countries really need, whether on a regional or single country basis. My understanding is that by closing several of these missions that the responsibility shifts here to Washington, D.C., and that this will not take away any kind of sensitivity and concern as far as USAID's mission toward the needs of these different countries.

I just wanted to ask you what your feeling is on this issue. Several of the leaders of the different countries in the South Pacific, that I visited, have expressed that very concern. By closing the missions in the region, are like saying that we are not concerned with these countries?

The point I make here is that it always seems that when the big boys play, they get to keep almost everything. And when we address these small countries, we do not seem to pay much attention to these regions that do not get the attention of the media, as well as our policymakers. So if I could ask for your response on that issue?

I have additional questions that I would submit for the record.¹

Mr. ATWOOD. Well, thank you very much.

This has been a difficult process, obviously—the first time in the post-cold war period when we have actually closed missions. It sends a lot of signals. People care a great deal about why it is we have chosen to do this. It is not just budget considerations. There is a desire that has been reflected in this Congress for a long time that we bring better focus to our programs.

Clearly, the Agency for International Development was spread much too thinly over the world, especially given that we had to absorb the NIS and Eastern Europe without any additional resources for personnel, et cetera. That is the key issue here.

There were three types of countries that we moved out of. One was countries that we could graduate and pat them on the back and say they have achieved per capita income levels and GNP growth that now make them creditworthy—they are eligible for loans and credits so that they can continue the development process. We would work with them through the multilateral development banks to assure that that progress continues.

The second category were countries that were nonperformers because they were not allowing their own people to participate in the process, they were abusing human rights, they were not interested in democracy, and their per capita income levels were falling. And we didn't feel we had a chance to develop the kind of partnership that would allow us to be effective.

The third category were small countries which were very expensive to operate in, where we felt we could continue some programs on a regional level. And some of these countries fall in the South Pacific, an area of the world that you are interested in. We believe that we will be able to continue some programs in that region to demonstrate our interest in the region.

But these places were extremely difficult and very expensive to operate in. But we think we can operate out of regional bases. In particular, we are looking at the Philippines as a place where we could operate from, where we have a very large mission.

Mr. FALEOMAVEGA. Thank you.

Chairman HAMILTON. Thank you. Mr. Johnston.

DEVELOPMENT FUND FOR AFRICA

Mr. JOHNSTON. I apologize for not hearing all of your answer to Mr. Bereuter's question, particularly concerning the Development Fund for Africa. But knowing the history of both of you, Secretary Moose, who under the Carter administration helped put Africa on the diplomatic map—it fell off for 12 years—and Mr. Atwood with the tremendous work that the National Democratic Institute has done in Africa, I have to admit I am very disappointed that the DFA was not included in there, particularly when other geographic areas have been earmarked.

Let me go to Penny-Kasich. That is coming up this afternoon and has rather draconian cuts. And to be very frank with you, the WHIP organization does not know if it will pass.

What will Penny-Kasich do to Africa?

¹The questions referred to appear in the appendix.

Mr. ATWOOD. It would be devastating for Africa, Mr. Johnston. I said to Mr. Bereuter, and I'll repeat it, not that we share your interest in Africa. The budget request the President will make will reflect that.

I think I recently followed you in Africa. I just returned yesterday from South Africa. We want to——

Mr. JOHNSTON. I did not see you in Angola.

Mr. ATWOOD. I was in Mozambique. There is a slightly different situation. A little safer.

Mr. JOHNSTON. Yes, I was there.

Mr. ATWOOD. Yes, I know you were.

Mr. JOHNSTON. Yes.

Mr. ATWOOD. So our commitment remains the same.

You mentioned that there are regions that are specified; those are in different titles. We have not isolated or specified any earmark for a region in the Sustainable Development title, although we have specifically put policy language in about the Development Fund for Africa. So that, I think, does reflect our interest in Africa.

It is simply the philosophy of our bill. We want to be able to undertake strategic, integrated sustainable development efforts. There is no indication of any lack of interest in Africa.

The Penny-Kasich approach, by the way, that seems to me to have been slapped together at the last minute, because there is a reference to some population fund for Africa in the Penny-Kasich bill, a reduction of \$200 million. It is quite clear that this was put together rather hastily and at the last minute.

We do not have anything called the population fund for Africa. As you know, we have a Development Fund for Africa.

This would be devastating to our programs in Africa. It would cause us to reduce significantly below the 35 countries in which we are now operating. It would not enable us to respond to the growing situation in South Africa and in southern Africa. There are tremendous possibilities there after the election in South Africa in April for us not only to help the disenfranchised community, the black community of South Africa develop.

You know, the per capita income of the blacks in South Africa is about \$670. The white per capita income is \$6,700 per year. There is clearly a serious underdevelopment problem that we want to work with.

I reviewed with Nelson Mandela the reconstruction and development program that the ANC has announced just last week. And we want to be in the leadership role in helping them fulfill the commitments to the people of South Africa that is reflected in that program.

We will not be able to do this if the Penny-Kasich bill passes with its \$200 million reduction. We are trying desperately to find more money now for South Africa and also for the southern Africa region, because South Africa, as you know, for years has attempted to destabilize that region. Now we want that region to work together. There is a potential market of 100 million people in that region. That is a market that will be useful to businesses all over the region. But we don't want to see a situation where South Africa grows and the countries in the region stay static; that would create a very unstable situation there.

So this Penny-Kasich bill which reduces money for the Development Fund for Africa, reduces money for population assistance programs, which are an important part of our foreign policy, and \$250 million more from the Development Assistance Fund would have a devastating impact.

We have already cut by over 40 percent in Asia and in Latin America because of budget cuts. This would force even more. This would be, it seems to me, a dramatic turnaround for the United States if this particular bill were passed. It would have implications in our relations with other donors as well because they follow our lead.

Mr. JOHNSTON. My time is up. But one observation, and I do not mean to be contentious, but you stated that the administration will show a commitment to Africa when its budget comes up. I did not see that last year. I saw a request for \$800 million for 600 million people. It came out of this committee at \$900 million for the Development Fund for Africa. The administration then comes in with supplemental requests for the Former Soviet Union. And rather than have an increase we had a decrease because they overloaded the assistance request. And I certainly hope the administration takes a more realistic view of the desperation that this continent has and the need for assistance that it has.

Thank you, Mr. Atwood.

Chairman HAMILTON. Mrs. Meyers.

POPULATION PROGRAMS

Mrs. MEYERS. Thank you, Mr. Chairman.

I would like to ask how comprehensive do you intend to make the population program? And I would like to have you address it particularly in this hemisphere.

In the Western Hemisphere Subcommittee meeting yesterday we heard that the population in Chiapas in Mexico was 160,000 20 to 30 years ago. And today it is 700,000. And I think it indicates that wherever you have population outstripping the resources you are going to have problems of some kind of another.

In relation to the population program, some advocates of these programs want to emphasize that many things that are not on the face considered to be population programs, such as encouraging the education of young girls, are very effective in reducing fertility. Will you be pursuing these other approaches as a complement and not as a substitute to the standard contraceptive or educational programs involving population?

Mr. ATWOOD. Yes, we will, Mrs. Meyers. We will actually ask for an increase in funding for family planning services. But we are going to complement that in our strategy on population with more of an emphasis on girls' education, reproductive health services provided to women—even microenterprise work contributes, obviously, to overcoming the population growth problem, in the sense that it engages women in the economy of these countries.

All of these things relate directly to our ability to curb and stabilize population growth. And all of these are called for in the draft legislation that we have provided you, as well as in the strategy paper that we have done on population and health that has been submitted as part of the record.

Mrs. MEYERS. And can you address them particularly in relation to this hemisphere?

Mr. ATWOOD. Yes, I will. I am delighted that you have used the example of Mexico, a negative example in the case of Chiapas. Great progress has been made overall in reducing fertility rates in Mexico from something about an average of 8 down to about 5.4. And I think the Salinas government deserves a lot of credit. We have worked with them on population programs there.

But you illustrate the problem. If you have this kind of dramatic population growth over just a decade, and we are adding about 90 million people a year to the world, that is about the population of Mexico. So each year we add the population of Mexico to the world's population. This is a very, very good indication of how much instability can be created. And it is a good indication of why it is a foreign policy objective of the administration to try to be a leader in the world in this regard.

ANTINARCOTICS PROGRAMS

Mrs. MEYERS. Can you comment on what you are doing that is different or that has changed or it may be that it is the same, in dealing with drug trafficking? And do you think it will bring about more cooperation in this effort?

Mr. ATWOOD. We have been analyzing our antinarcotics programs and looked at certain aspects of it, for example, the crop substitution efforts that were made that have not been successful. We believe very strongly that sustainable development in these countries is a very important way of dealing with the problem of drug or narcotics production in these countries.

We are also trying to deal with it by reducing here in this country the attraction to drugs overall. I think it is a comprehensive program. I am not really in a position to talk about it in too much detail.

Perhaps Mr. Moose would like to comment.

Mr. MOOSE. I might add, that the recent reorganization of the State Department which created within the global affairs area a Bureau of Narcotics, Terrorism and Crime, headed by a very experienced Assistant Secretary, one of our former Ambassadors to Bolivia, a country that has had a very difficult experience as a result of the narcotics traffic. The creation of a grouping of activities such as narcotics, terrorism and crime in the State Department enables us through the diplomatic mechanisms and through our posts abroad to bring to bear a great deal more effective coordination of the efforts of the U.S. Government in the counter-narcotics area.

We are able to work together and to tie together efforts such as those of the DEA, AID and quite a number of other agencies of our Government, both military and civilian to address more effectively, particularly overseas, the drug problem. And it is one of those areas in which activities under this and other programs have an immediate, have a beneficial, impact and are an economical way of dealing with the terrible drug problem.

It is more cost effective, obviously, if we can suppress the supply at the source. And we are endeavoring in many ways to do that.

Mrs. MEYERS. Thank you very much, Mr. Chairman.

Chairman HAMILTON. Mr. Payne.

DEVELOPMENT FUND FOR AFRICA

Mr. PAYNE. Thank you very much, Mr. Chairman.

Let me first of all commend Mr. Bereuter for his strong stand regarding the Development Fund for Africa. Although I was not here, I heard that he has made a strong pitch.

And, secondly, let me commend the chairman of the Africa Subcommittee, Mr. Johnston, who has taken this subcommittee and has really elevated the activities and the sensitivity through this overall committee and actually through the House.

Let me say that I am also disturbed at the, in my opinion, low priority that Africa is receiving. The fact that during the past 40 years, at least 30, 20 years, most of the cold war where the fighting was actually done was done in Africa. We have, as a country and as a policy, previous administrations supported dictators like Mobutu, who today is allowing his country to die daily, through our support, CIA and otherwise. It was administration policy to support Jonas Savimbi, who after the elections were held, UNITA lost, he then took back to the guerrilla warfare.

We saw Sergeant Doe in Liberia kill the President and the first family, but because he opposed communism we gave Liberia in the eighties more funds than they had ever received in the history of their country. And it goes on and on. Constructive engagement in South Africa was an ally against communism and so forth.

We all were opposed to communism but Africa suffered most from this era of defeating communism. Now, in the post-Communist era we see a tremendous compassion for Eastern Europe. We need to save the Soviet Union. Poland has been given tremendous assistance. We are giving a great deal of attention to the former Soviet Bloc nations, the Warsaw Pact countries; and that is fine.

But in the place where lives were lost, where flawed policies and dictators were supported, we have really not made the concern and the interest to try now to undo those things that we needed to free Eastern Europe. We had an earmark for the African Disaster Assistance account of \$100 million which was eliminated last year.

This year we hear that the Development Fund for Africa will no longer be earmarked, although there are still earmarks. Either there should be no earmarks or there should be earmarks when they are necessary. And knowing of your background, Mr. Atwood, and your strong interest in the continent and your work with NDI, I would urge that you have the State Department and those who are responsible to reconsider. The Congressional Black Caucus very strongly urges that the Development Fund for Africa be earmarked. As you know, our record in foreign affairs probably exceeds that of any other caucus, at least parallels one other caucus. But there has been tremendous support for foreign assistance.

We feel that the administration is turning its back on an area that should have more consideration, especially in light of the history of the past 40 years.

I have no questions. I just wanted to make that comment.

Thank you, Mr. Chairman.

Mr. ATWOOD. Mr. Payne, if I could briefly comment. The philosophy of the bill, of course, is that Title I would not hold, would not

have earmarks. I am certainly sympathetic to all that you say. I regret very much that it is not just the \$800 million that we spend each year on development for Africa, but we are having to put about double that amount into disaster relief, refugee assistance, demining, demobilization of forces, peacekeeping. All of these things are a result of the crises that have been caused by some of the things that you mentioned.

We would like to see over time a reversal of that ratio of 2-to-1 in the other direction; more money for development, less money for disaster relief. That is the more sensible way to prevent crises and to deal with the problems that Africa faces.

Let me just tell you, however, the other side of the coin with respect to earmarks. And this relates directly to Africa and to our concerns for spending more in Africa. If you put an earmark in the Sustainable Development account for Africa, and Africa is prominently mentioned as the region, the only region that is mentioned in Title I, you create in essence a ceiling. It is more difficult to spend more money on Africa than we would have asked for or that the Congress had approved. It is just difficult because of the nature of the competitive process within the executive branch.

We fully intend to ask for an adequate amount of money for Africa. We would like to see a change in the ratio so we are spending less on disaster relief. But if an earmark is put into the Title I part of this bill, Sustainable Development, you are probably going to create a ceiling for Africa, not a floor.

EARMARKS

Mr. PAYNE. I really do not buy the fact that if you put a—if you earmark that, that that is a ceiling. I have seen supplemental considerations come up in areas where they were earmarked. I saw a housing development fund of \$10 billion, for example, being suggested at one time which was supported by most of us after \$2 billion had already been appropriated and now there's \$3 billion.

So although there was a ceiling it seemed that it was possible to go and run the ceiling and increase the funding. So since it worked there we should then keep that same philosophy to see if we talk about a minimum by this \$800 million in DFA.

I would just urge that you take another look at it. We had some preliminary discussions about this with some very interested people and we are serious about wishing a serious wish that you reconsider.

Thank you, Mr. Chairman.

Chairman HAMILTON. I want to express my thanks to Mr. Gilman for joining me in introducing the bill yesterday. I appreciate that very much, Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

Chairman HAMILTON. Mr. Gilman.

AGRICULTURAL RESEARCH

Mr. GILMAN. I want to express my appreciation for having Administrator Brian Atwood with us and Under Secretary Moose also present. And we welcome you back from Africa. We hope you had a good visit. And thank you for calling us from Africa to let us know you were going to be on hand.

In looking over the final measure that the administration has submitted we are pleased that a lot of the Hamilton-Gilman proposals are included in the measure for reform. We have waited quite a while for the final effort, and there was some frustration, but we are pleased now that we are able to dig into a final measure.

Mr. Atwood, I would like to ask of you, I met recently with our old friend Dr. Norman Borlaug, the father of the green revolution that facilitated the economic expansion in Asia. Dr. Borlaug was a colleague of mine on the President's Hunger Commission in the seventies and is a person many of us hold in high esteem.

Let me share with you one of his concerns. Even though enhanced food security and sustainable improvement in agriculture is one of the elements of your broad-based economic growth objective under sustainable development, he is concerned that continued support for agricultural research may take a backseat to more fashionable categories of assistance.

He pointed out that assistance for international centers has declined during the last 3 years from \$40 million down to \$25 million. And he believes that these reductions are shortsighted given the need for increased agricultural production in Africa.

How would you respond to those concerns? And how can we be assured that your new foreign assistance charter will not short-change agricultural research, which is such an important part of sustainable development?

Mr. ATWOOD. Mr. Gilman, there are several references to agriculture in this bill. We believe, obviously, that in development you do not ignore agriculture nor agricultural research.

I, too, had a recent meeting with Dr. Borlaug. He continues to be such an impressive person who is contributing so much to the world in terms of the research that is done in the agricultural area. The CGIAR, don't ask me why acronyms like these are developed, these international centers that he has helped create have contributed a lot to finding new plant strains that are resistant to drought and other such things that are also useful to us here in the United States, I might add.

I think this is important to note, that when these research centers operate they are not just working for drought areas in places like Africa but we can use some of these achievements here in this country.

FUNDING FOR AGRICULTURAL RESEARCH

Mr. GILMAN. But what about the funding, though, with severe reductions?

Mr. ATWOOD. The problem we have with funding is that when these centers were created they proliferated. Some analyses conclude that some of them are not as effective as others. We clearly would like to see some consolidation of these centers so that they are more effective. I discussed this with Dr. Borlaug.

The problem, also, that we're having is that, as we face earmarks within the sustainable development accounts, we don't have a lot left for important initiatives such as this. And, indeed, some of our central programs which fund the research have been cut by about 40 percent in the fiscal year 1994 budget.

We have to try to distribute those cuts in a way that makes sense. We don't like to see it when we are on the verge of a new breakthrough in agriculture, a new strain of rice that may help produce more food for people that need it. We hate to cut these budgets. But we don't have any choice. We are trying in the process to force them to consolidate and manage better to produce results.

MIDDLE EAST PEACE PROCESS

Mr. GILMAN. Well, I would hope we wouldn't neglect this very fundamental area of research that could improve the entire sustainable development programs.

Last year the committee, Mr. Atwood, included authorization for the Camp David Accord in our authorization bill H.R. 2404, but yet you have not included it in your legislative proposal. Could you give us the reasoning for that?

Mr. ATWOOD. The Camp David Accords have been supported by the United States by every administration since they were signed in the Carter administration. We have maintained our commitment to that. We will continue. The bill reflects this in Title III where we actually specifically mention the Middle East peace process.

There are very few countries mentioned in this bill. Israel is one that is mentioned. We think it is important to underscore our support not only for Israel but for the Middle East peace process. So that is very much a part of this bill.

Mr. GILMAN. You're not fencing that off in Title I, are you?

Mr. ATWOOD. This is in Title III.

Mr. GILMAN. Yes.

Mr. ATWOOD. The Middle East peace process will be funded under the promoting peace section of the bill.

Mr. GILMAN. But Title I is fenced off, is it not?

Mr. ATWOOD. Yes, it is.

Mr. GILMAN. Well, how will we be taking care of the accords then?

Mr. ATWOOD. No, Title III funds the Middle East peace process specifically.

Mr. GILMAN. Well, that is the current peace process, is it not? Does that refer back to the accords?

Mr. ATWOOD. Well, there is nothing that would prohibit us from funding programs in the Middle East out of Title I as well. It is only fenced off in terms of moving it from sustainable development work into aspect of foreign policy. We could do development work in places like Jordan, Lebanon, et cetera, if indeed the peace process enabled us to do that.

150 ACCOUNT FUNDS

Mr. GILMAN. Just one more question, Mr. Chairman. A substantial portion of the 150 account funds program administered by USIA, the World Bank and other multilateral financial institutions, specialized development foundations and the Food for Peace Program, just to name a few of them. I suspect there is a great deal of duplication in those programs. How will this legislative proposal improve the coordination of those activities to try to achieve a comprehensive foreign assistance program?

Mr. Moose.

Mr. MOOSE. If I might address that one, yes, Mr. Gilman. I think that one of the strengths of this proposal in seeking to focus our overseas activities on five or six specific objectives is that it does facilitate the coordination of activities within the executive branch. You see, we have encompassed in a hortatory way the activities of USIA in this bill.

I referred earlier in my opening statement to the fact that the unifying six titles of this bill are the same that you will find reflected in the function 150 budget when it arrives here next week. These are policy objectives that are broadly embraced within the executive branch and do permit and, indeed, compel the same priorities to be observed in the various overseas U.S. agencies.

So, I think the role of the Secretary of State as the principal coordinator of these activities in the framework which we are laying down in this bill, which you will see repeated elsewhere in the administration's policy and statements, really does move us toward the kind of framework that is needed in a world in which we are missing what formerly was our unifying theme, that is, the cold war and the opposition to the Soviet Union.

We have five new guideposts where which I think will help address the problem that you have raised.

Mr. GILMAN. Thank you.

Mr. Chairman, I ask that my full opening statement be made part of the record. And I thank the panelists. And thank you, Mr. Chairman.

Chairman HAMILTON. Without objection it will be made part of the record.

[The prepared statement of Mr. Gilman appears in the appendix.]

Mr. Martinez.

STATEMENT BY HON. MATTHEW G. MARTINEZ

Mr. MARTINEZ. Thank you, Mr. Chairman.

I am quite impressed with the act, to be perfectly honest with you, in the objectives that you have set out. I think in the President's State of the Union message when he made the comment, "The best strategy to ensure our security and to build an honorable peace is to support the advancement of democracy elsewhere." And one of the ways of accomplishing this objective, he suggests, is by ensuring the economic security of other countries.

It harkens back to the days of the Monroe Doctrine when that was really the basis of the Monroe Doctrine, as well as self-determination of the Western Hemisphere states. Somehow that got misinterpreted by Polk when he decided he want to move on some of those South American countries in violation of that document.

In fact, one of our famous people, one of the authors of that document died on the House floor protesting Polk's interpretation of it. We seem to forget that. And I think sometimes history will teach us a better lesson for the future if we learn by it.

I particularly have been impressed with several statements in your written statements, both of you, and where you state under the terms of the bill the USAID will assess the commitments and progress of countries in moving toward commonly agreed development objectives, and you will establish an open and transparent

system to monitor the results of these systems by sharpening our own capacity to measure results as defined by the agency's new strategy and implementation guidelines.

Let me tell you one of the problems that I have had with the foreign aid we have given in the past; we have tied no strings to it. We have given the money to leaders who abuse that money for their own personal gain rather than for the benefit of their people. And we do not seem to have done anything to monitor the use of that money.

And, you know, you go back to the best point in case, Imelda and Ferdinand Marcos. I think that if you look at that, and there's a whole history of them. You know, we have in this country a history of dancing with dictators where we were supposed to be supporting democracies. I do not know how making alliances and deals with dictators promotes democracy. But in Central America, especially where we were such great friends with Batista and Somoza and Pinochet and the rest who were abusing and suppressing their people until their people got fed up. But when their people got fed up and overthrew them they were not our friends because we had supported those people.

We have made bad decisions, bad policy decisions. It seems to me that you have laid out here a blueprint or at least an outline for a change of those policies of the past. And I have to commend you for it. I think, you know, we are going to have slight differences. I know the Black Caucus is going to be very concerned about earmarking funds for Africa. And I support that.

But I think that overall you are starting to address these problems of our new, new world order, as Mr. Bush called it, in a comprehensive way so that we can maybe stop making the mistakes we have made in the past.

I could go over a lot of the statements that really impressed me which you have made. But when you talk about USAID will be most actively involved in achieving two remaining goals, promoting peace and advancing diplomacy, I think that is really where we have been at a shortfall in the past. And I commend you for it.

Mr. Chairman, I have no questions. I just felt I needed to make that statement.

Chairman HAMILTON. Mr. Hyde.

SHIFTING POLICY AUTHORITY AND FUNDING DECISIONS FROM CONGRESS TO THE EXECUTIVE BRANCH

Mr. HYDE. Thank you, Mr. Chairman.

Mr. Moose or Mr. Atwood, in a synopsis of this bill this statement is contained, this is from our side of the aisle: "The basis thrust of the legislation is to shift policy authority and funding decisions from Congress to the executive branch." Is that a fair statement?

Mr. MOOSE. Well, I can understand the perspective there, Mr. Hyde. But we would have said probably, had we written the synopsis that the intent is to provide a charter with a new frame of reference for a new era in foreign policy and to request new flexibility to deal with that.

Mr. HYDE. That is called spin control, isn't it?

Mr. MOOSE. Spins one way and spins the other, that's right.

REPRODUCTIVE RIGHTS

Mr. HYDE. Right. We all know about that well-known road that is paved with those good intentions, don't we.

I am going to watch with interest what happens to Egypt. They do not have a caucus up here.

Anyway, I note with considerable interest your section 7203. Section 7203 guts the present section 1973 which forbids the direct subsidy, the direct payment for abortions. I see now as we use the softer term "reproductive rights" and I have trouble trying to figure out what is reproductive about abortion, but anyway, we are not going to go into the business of subsidizing abortions big time around the globe. Is that correct?

Mr. ATWOOD. No, that is not what is going to happen, Mr. Hyde. Let me just tell you that, as a general proposition—I think you are more aware than anyone that this administration believes in the choice of women. We have, across-the-board, tried to take out references to restrictions on this particular choice.

We have no plans whatsoever to change current American policy. We understand the sensitivity of this issue for the American people, for a large portion of the American people. We are not going to use American tax dollars to fund abortions overseas.

But these particular provisions do complicate our work in providing reproductive health service, family planning services, all of which have a strong support here in the Congress. So we have asked for a clean bill with respect to this issue.

Mr. HYDE. Well, I would profess my bewilderment at that answer because what you have done is you have taken out a specific prohibition against subsidizing abortions overseas with foreign aid money, you have taken that out and you have replaced it with language that has not any reference to it at all.

Now what you are saying is trust us. While we are all for abortions as a method of family planning, nonetheless we do not intend to do it. And I guess that is what you said, that we should trust you on that, despite the fact that you have specifically eliminated the prohibition from the act. Is that correct?

Mr. ATWOOD. Mr. Hyde, as I indicated, this is a charter bill that is supposed to be useful as a framework for administrations now and in the future. We have certainly restricted the number of conditions that we have put into the bill.

As I indicated, we do not intend to change our policy with respect to the funding of abortions. We simply have asked that this particular prohibition be removed.

Mr. HYDE. Why? If you do not intend to change your practice why remove it? Why not reassure those of us who want to support foreign aid, who believe in what you are doing, but who find it impossible when you load it down with this albatross that you say is not going to be functional? Why take it out? Unless again it is PR and it is to satisfy other elements on the other side or the barricades on this issue. But, well—

Mr. ATWOOD. Because, Mr. Hyde, removing the prohibition will eliminate some really difficult issues that we face day to day doing the business of development overseas, issues that arise when women who, for example, participate in AID-funded programs

choose abortion because of rape or serious health problems or when AID-sponsored clinics want to help women who have had incomplete or septic abortions. These are sort of gray areas in the law. We feel removing the prohibition would facilitate our work in family planning services, in providing reproductive health services to women. But not—

Mr. HYDE. I am sure we could work on some language together that would accommodate those hard cases. That, is not impossible. But I do not really think that undergirds your administration, not you, sir, your administration's position.

I understand what has happened here. I am only saying, as in healthcare reform, you are loading down a bill and a cause, a good one, with weight that is going to make it—you are creating other problems as you say you think you are solving some.

Thank you.

Mr. ATWOOD. Could I just say, Mr. Hyde, that I do understand what you are saying. So perhaps we should discuss this.

Mr. HYDE. I hope so.

Chairman HAMILTON. Mr. Fingerhut.

SELLING FOREIGN AID TO THE PUBLIC

Mr. FINGERHUT. Thank you, Mr. Chairman.

I, also, want to commend the effort of the gentlemen here and the administration on this very significant piece of work. And also, frankly, the administrative actions that have been taken already this year, absent legislation, that have tended to build the public's confidence in the administration of our foreign aid programs.

As someone relatively new to this subject I have a lot of homework to do before I could ask you the kind of detailed questions that others have. So let me ask a little bit broader question.

We all know that the subject of foreign aid is a controversial one and a difficult one politically. There are a couple of statements in both testimonies that indicate you recognize this. For example, Mr. Moose said, "not surprisingly foreign aid has come to be seen as something we do for others rather than as something we do to advance the security and well-being of Americans." And a variety of other statements of that nature.

I see this debate and legislative process as an opportunity to try and reeducate, reintroduce the subject of foreign aid to the American public. We all studied the Marshall Plan and the Berlin Airlift and a variety of other historic moments and recognize the significance of those efforts by our country in the course of world history. Why can we not do the same now to begin to drive home the understanding of the importance of foreign aid to our country and to our security?

And I guess the question would be what efforts do you have in mind or does the secretary have in mind to try and make this a debate that does not just go on within the confines of this city but really across the country?

Mr. ATWOOD. Mr. Fingerhut, I have as an AID administrator probably travelled more in this country than I have overseas. I've been to the Midwest, I've been to the West Coast. I've talked to groups and editorial boards about the importance of these programs to our domestic interests. I've made the case that we cannot

spend about \$130 billion on environmental security against emissions that are creating environmental problems in this country and not worry about the environmental problems that exist overseas because, by the year 2010, more emissions will be coming into our environment from overseas than we are generating here under present conditions.

I've made the case that we can create new opportunities for American farmers in various parts of our country by the research that is being done, that Mr. Gilman mentioned earlier. I've talked about how population growth creates instability and migration in the world. And how food security relates to population growth.

I've talked about the fact that we are spending \$300 million a year on vaccine against polio, whereas if we spent just a few more dollars we could eradicate polio from the face of the Earth and wouldn't have to spend \$300 million here over the next 4 or 5 years. It is an indication of the cost savings that can accrue to us if we invest properly in foreign assistance programs.

Mr. FINGERHUT. Let me suggest that, as we all know, no one individual has enough time in the day or hours in their week to meet with all of the groups necessary. Perhaps what is needed, as the department thinks about their strategy in moving this legislation forward is a broad campaign to reach the people in ways that people are reachable these days.

I do not have a specific plan to hand you. But I think you understand where I am going with this comment.

The other question I would have is related, though not identical. I was quite impressed that you emphasize in your testimony the quantifiable results of our efforts that you wish to measure. Again, I think that one of the reasons why public support has eroded for these problems over the years is that quantifiable results are difficult to point to, even for those of us who follow and support these issues. It is difficult to say, "here is where your money went, here is what it has done."

I read your comments with interest on this score. What is in the legislation or what is in your plan to make these kinds of quantifiable results a regular reporting effort to the Congress, to the American people and to base future actions on those results? In other words, to make those results have meaning in terms of what goes on, let's not just report that this worked or this did not work and then go on blithely forward with what we had before. How can we know in this legislation that if something fails it has a consequence? If something succeeds it has a consequence? The public thinks things fail and we go on and do them anyway just because we are in a situation of inertia.

Mr. ATWOOD. Let me just say that this bill incorporates a congressional initiative that we think is a best practice. The Development Fund for Africa required that we report on specific results, and we do it on an annual basis. And at AID, the only regional bureau that actually goes through the effort to set goals and indicators and actually is able to report on results on an annual basis is the Africa Bureau, because of the DFA that was adopted by the Congress.

This bill incorporates that best practice in its entirety. And for each of the four major goals under Sustainable Development—pop-

ulation and health, economic growth, democracy and environment—we are in the process now of creating major indicators so we will know whether we have succeeded or failed in our programs.

Mr. MOOSE. If I might just add to that just a brief note, Mr. Chairman. I think one of the other advantages of establishing the very distinct titles that we have in the bill, is to focus our efforts; it helps us establish priorities in a time of diminishing resources. This can be a help to the Congress, as well as to the executive branch. The new breakdown also will enable us better to measure what we were doing.

In previous years much of the money that was authorized and appropriated under the Foreign Assistance Act was very broadly justified in the name of the containment of communism, opposing the Soviet Union. You got through spending the money and you were still opposing the Soviet Union, you had supported a government or a regime and that seemed to be justification enough in itself.

I think now as we look at programs, look at activities such as building democracy in countries in transition to democracy or to a market system, we will be able to look and to judge whether as a result of the money that has been spent we have moved toward that goal or not. The new bill is a charter. It provides guides for us and a yardstick to assess what we've done in a world, in a time in which the old measuring rod is gone and we need new ones. We hope to provide those in this charter.

Mr. FINGERHUT. Thank you.

Chairman HAMILTON. Mr. Smith.

REPRODUCTIVE RIGHTS

Mr. SMITH. Thank you very much, Mr. Chairman.

And, Mr. Atwood, pardon us if we have at least a little skepticism. And I believe you are sincere when you say that the administration has no intention of providing abortions as a method of family planning worldwide. But that does fly in the face of statements that have been made by other administration officials, including Tim Wirth, including our Ambassador Victor Marrero at the United Nations where he suggested that abortion ought to be part of the worldwide plan adopted in Cairo when the population conference ensues in the fall of this year.

And many look at what happened, even with the Hyde Amendment most recently, when the administration told member after member and said publicly on network television that the States would retain the flexibility if the Hyde Amendment were lost—and thankfully it was retained but it was modified—would retain the flexibility not to be forced to go along with whatever the Federal Government said they were doing with their share of Medicaid.

We find after the fact the administration moved immediately to say that the Federal law is the operative law and every State law has to come down to whatever that Federal standard is. Said one thing, another thing was done after the fact.

I find it very illustrative in looking at the language that you kept or the administration kept a part of the 1973 Helms Amendment but took out that part that said that none of the funds will be used

to pay for the performance of abortions as a method of family planning.

And that is our chief concern, that abortions would become another method of family planning. Every poll that has been taken in the United States has shown that anywhere from 70 to 80 percent of the American public are against abortions for birth control reasons. Every poll. I have not seen a single poll out there, and this is from the major Gallup and all the others that have done this kind of polling, Wirthlin, have found that the American public is overwhelmingly against using abortions as a method of family planning. And yet that is obvious in its omission with this draft legislation now that has been introduced.

I really believe that if this is not corrected, this bill in its entirety is a dead letter. And I will work, and I know there are many others who will work in the House and the Senate, to ensure that we do not become the main pushers of the killing of unborn children worldwide.

You know, it is interesting to note that this language was in effect through five Presidents, Nixon, President Carter, Ford, Reagan, Bush, and even during the first year of the Clinton administration. And now during this rewrite we decide that we are going to jettison that language. I would hope that members will not accept that because we should not be promoting abortion as a method of family planning.

Again, that would force every taxpayer in this country to be subsidizing the killing of unborn children for family planning reasons.

And again, as Mr. Hyde pointed out so well, you are asking us, just trust us. Trust and put in language exactly what we mean. And I think that is what we are going to have to do or at least try to do in this committee and in the Congress.

I also find it very disturbing, Mr. Atwood, in looking—and you could respond to that if you would like—we have heard disturbing reports that the Child Survival Fund, which last year or this fiscal year was slated at \$275 million as a goal, may be cut substantially this year. And I find it insightful, for want of a better word, that this administration is looking to substantially increase child control, population control, blaming the victim, blaming children for the many problems, the myriad of problems that we face throughout the world and countries face, while at the same time, if these reports are correct, the USAID is contemplating a substantial cut in the Child Survival Fund.

We have heard this from a number of sources, from NGO's and others. And I hope it is not true. I hope there is still time to change it because the Child Survival Fund has been one of the most remarkable foreign aid usages of our dollars in terms of saving lives and enhancing the lives of those children who are saved.

So I would hope, you know, we are looking to control children through population control and, regrettably, through abortion which kills children, at the same time we are backing off in those attempts to protect children from the myriad of diseases that they could be protected from.

Mr. Atwood.

Mr. ATWOOD. Mr. Smith, in a period of about 3 minutes you have managed to characterize the administration as for abortion and against children. Let me try to respond.

First, I think the President has made it very, very clear that he would like to see through the policies that he is implementing both domestically and internationally, to see a reduction in abortions. This is not the most favored way of accomplishing birth control or, indeed, population control.

I mentioned before that we have no intention to use taxpayers' dollars to actually perform abortion services. And we are very sensitive to the issue that has been raised here. I don't have a disagreement with Mr. Wirth on this question. He has said that, as a matter of policy, we believe that women around the world ought to have the right to choose and ought to have access to a full range of reproductive health services.

That does not necessarily mean that we have to fund all of those reproductive health services. We, obviously, would like to be in situations where we and our programs can be providing the kind of advice that women need so that they can avoid the necessity for abortion if they feel that necessity. We, obviously, strongly support child survival programs. We are trying to do the best we can with a budget that we have been provided to see that child survival programs are funded proportionately at the same level that they were funded last year.

The problem we have is that, in the nonearmarked accounts of our budget, we are experiencing about a 40 percent reduction. And it is very, very difficult for us to maintain worthy programs in this kind of environment.

Mr. SMITH. So would an earmark for the Child Survival Fund be helpful in helping you to keep the—I mean, there is an earmark for the population. How about for the child survival?

Mr. ATWOOD. You know the problem that that would create, of course, is that you would have us conducting child survival programs where they are not necessary. It seems to me that we want to be putting our resources into an effort to help children when that is necessary and to help them as they progress up the line and become productive adults when that is necessary. Earmarks cause us to do stovepipe development that doesn't make sense in any particular situation.

Chairman HAMILTON. Mr. Menendez.

ACCOUNTABILITY

Mr. MENENDEZ. Thank you, Mr. Chairman.

Mr. Atwood, I appreciate the work you have done. Yet, as I read—and I read your testimony. I was delayed from coming here but I read all of your testimony. I am concerned, you present a great challenge to us. You ask for increased flexibility by requesting the authorizations in this more broader national objectives instead of the specific programs. And in doing so, for those of us who take our jobs here seriously, and I believe most of us do, the question arises in my mind as I heard you respond to Mr. Payne, and I share his concerns for the Fund for Africa, about, well, what you do in essence is maybe establish a ceiling, not a floor.

For many of us who have concerns about different parts of the world, the floor has been knocked out from underneath us. So we do not have to worry about rising to a ceiling. And whether it be Mr. Hyde and Mr. Smith's concerns, there are going to be similar concerns in that respect that you seek almost a leap of faith to accomplish in terms of the flexibility you desire in this bill.

And what, on a broader question that I would like to have you respond, how do I, as someone who has a fiduciary responsibility to the citizens and taxpayers who send me here, who when I can presently say to them, well, I voted for this because USAID is doing X, Y and Z, and I believe that that is appropriate for our national security, for the purposes of building democracy, for our economic interests, how do I now turn to those citizens and say, well, I voted for a very broad framework for USAID to work within, but specifically I would be subject to what ultimately would be the dictates of or the whims of an administration? And while we all, I think universally, have a great deal of respect for you, when you move on to some better position, become an ambassador or something else, I do not know who the next USAID Administrator is going to—who that is going to be.

So my point is, how do we respond to the fiduciary responsibilities we have to the accountability that is constantly sought from us in this context that you seek?

Mr. ATWOOD. Mr. Menendez, I would respond by referring you to the Hamilton-Gilman Report which said that the current system of accountability that was written in 1989, and is still the current system of accountability, does not serve the Congress' oversight role.

What we are proposing to do, and we have discussed this in consultations with the committee staff, is to present a country presentation document that would tell you in each case all the programs that are going to be implemented in that country according to the strategic plan that we adopt. We will tell you what our strategic objectives are in that country. And then we will, of course, later notify you if there are any changes in the strategic objectives.

If we present you with those objectives then you will be able to hold us accountable to results. And I think that's what's important. Right now, the current system is, is so confusing that it is still difficult for you to perform your fiduciary responsibilities as Members of Congress. There are some 33 objectives and 75 priorities. I think that's what the Hamilton-Gilman Report said. I think there are more now.

As Members of Congress, you look at issues such as how much money did you spend last year on child survival as opposed to how many children did you save? And our systems reflect your interests. Our systems downtown are designed to give you information on inputs as opposed to telling you what results we're creating.

Now, we're trying to create a AID system wherein we can show you the results, that we can create the indicators and the evaluative mechanisms that will enable us to report to Congress on results. But unless the Congress now adopts this legislation to change the partnership that we have so that you, too, are in tune with what we are trying to do, then we are not going to be able to serve your interest in an active oversight role.

PROMOTING DEMOCRACY

Mr. MENENDEZ. I will be interested in seeing that specific country by country breakdown because while a partnership is based on certain premises, and I am concerned that some of the premises of a true partnership are lacking in what you have as a structure.

Let me ask my last two questions because I see your answer took most of my time.

Pursuing this, Latin America in the post-NAFTA era at a time in which it is at a critical juncture in its history where more and more of the countries have crossed the threshold from dictatorship to democracy, from command economies to seeking market economies, yet for our closest neighbors for which we may have some both very significant economic and in some cases security interests, we have seen it go from \$2 billion in the mid-1980's to less than \$1 billion in the last fiscal year. And how would the program as you presently outline be responsive to the post-NAFTA era in Latin America within the context?

And my other question that I would hope you respond to is what flexibility will you have to respond to in your promoting democracy? As I read your testimony, it talked about the ability that you will have flexibility to address political, economic, and humanitarian needs that arise in connection with transitions that threaten democratic institutions. But how about many of us who believe that we will see within this administration a change in Cuba? What about a transition to promote, not threaten democratic institutions because there are none in Cuba, but that will promote democratic institutions? Will you be able to do that as you have outlined it here?

Mr. ATWOOD. Mr. Menendez, with respect to Latin America, there are two objectives in our now much more focused program that is forced by budget reductions to focus and because it is the appropriate thing to do, what we are doing is working with countries that could be eligible for NAFTA-type relationships in the future, to prepare them on issues such as workers' rights, democracy and environment so that we will not have the same kinds of controversies that came up with respect to Mexico, where we are still working on all of those issues.

And we are working also with the poorest countries in the region. We are obviously working to reconcile differences in Central America to make sure that the peace there holds.

We believe that, as Latin America has improved its political structures as well as its economies, we can move many of those countries into credit relationships or loan relationships. We are working, obviously, closely with the Inter-American Development Bank in that regard.

So we believe that development will not be inhibited despite some serious budget reductions in our concessional grant programs.

With respect to promoting democracy, let me say that Cuba, obviously, is a country that would come under very serious consideration for Title II, the Building Democracy title. It is exactly that kind of a situation—when we know that there are people who are actively seeking to promote democracy—in which we could provide

assistance to those people under that title. That is exactly what that title is designed for.

Chairman HAMILTON. Mr. Levy.

LEAVING THE ABORTION ISSUE OUT OF THE BILL

Mr. LEVY. Before I get into my question I just wanted to make a comment about the issue that was discussed before by Congressman Hyde and Congressman Smith. On the underlying issue of abortion I have some disagreements with my colleagues. Although we sit on the same side of the aisle, that is that big tent that we hear about. But I do agree with them that by introducing the whole issue of abortion into this debate we add weight to this bill which really ought not to be there and which will distract us from the issue that we ought to be discussing.

So without beating that issue to death, I just want to mention that I agree with them wholeheartedly that that issue really has no place in this debate. And I would hate to see us lose sight of our real objective here of reforming the foreign aid program by getting bogged down in an abortion debate here in the Foreign Affairs Committee and down on the floor of the House in connection with this issue.

AID TO ISRAEL

The other thing I do want to ask about, and this takes us a little further down the road that Congressman Gilman led us to a little while ago, over the years this country's aid to Israel has been used to ensure that country's survival as the only true democracy in the Middle East. It has helped to maintain Israel's qualitative military edge and enhances strategic cooperation between this country and Israel, enabling a closer coordination between the two countries in development work, high technology, research and development and other important areas. But as I read the draft bill, all foreign assistance to Israel would fall under the category of promoting peace and would be provided to promote what the administration calls a "comprehensive, just and lasting peace between Israel and its Arab neighbors."

The question that I am leading to is how would you feel about language being added to the bill that would reflect the diverse purposes of aid to Israel? And would the structure of Israel's aid reflect those diverse purposes?

Mr. MOOSE. Well, I suppose it is debatable whether that would add urgency to the statements that are already contained in the bill or to the other statements of administration policy that surround our support for the State of Israel. We treat this as a very particular case. If we go beyond the scope and the nature of the statements which are there we perhaps invite more of that in kind as might relate to other regions, as might relate to other countries.

We have tried in redrawing this bill and these authorities to move away from the functional approach, away from the country and regional approach without ignoring very special relationships that do exist as are the case of the Development Fund for Africa or Mideast peace. We have tried to redraw the lines and the categories and to focus on activities, on principles such as peace, democracy, and sustainable development, and to make those the

guideposts of what we are trying to accomplish. Obviously, we will address specific situations in the budget that comes up and the presentations which will support that.

I am not sure that we add a great deal by going beyond where we are. There is no objection to it other than what I have stated. There is no policy objection to it.

Mr. LEVY. It sounds to some of us, I think, and several of us have discussed this, that one of the things that we are seeking to do here is give broad new flexibility to the President and the administration. And some of us are concerned about the will of this Congress being carried out through the administration.

In legislation with the type of flexibility that we are talking about how can we be sure that spending on foreign assistance would reflect the priorities for which Congress appropriated the money, not only in the Middle East but around the world?

Mr. MOOSE. Well, it is not our intention in any way to limit activities with regard to Israel. We would like to meet—we intend to meet Israel's needs.

IS THIS NEW FLEXIBILITY TO THE PRESIDENT GOING TO INTERFERE WITH THE WILL OF THE CONGRESS BEING CARRIED OUT?

Mr. LEVY. My question is more general with respect to this than just Israel.

Mr. MOOSE. Right.

Mr. LEVY. The bill it seems to me, and to several of us, gives the President opportunities to curtail or resume aid to prohibited countries, and under what circumstances he could do that, it would allow him to break or shave earmarks or to transfer funds between accounts, not only involving aid which has traditionally gone to the Middle East but elsewhere. And my question is really in more general terms than just Israel and the Middle East.

Congress appropriates money for specific purposes. And I'm just wondering what assurances we have, given the flexibility that is proposed for the President that the will of the Congress be carried out?

Mr. MOOSE. Well, I think the oversight function will be facilitated by the process that Mr. Atwood has already described. It's my experience that we never move very far without what we're doing being noticed. I think we need to, I think we can intensify our dialogue. I think that we can always do a better job of keeping you informed. We can do a better job of listening. And we are listening to you now.

We understand that the price of the greater flexibility and latitude that we ask is a greater attentiveness to your priorities and your concerns. If you think you've heard that before, you probably have.

I think in the case of Mr. Atwood and myself, we are very much aware of your concerns and perhaps your skepticism in that regard. We have tried to watch these programs ourselves from the other side. I believe that the type of framework that we have laid down will make it easier for you to hold us to the mark.

CONGRESS EARMARKING FUNDS FOR PRIORITY COUNTRIES

Mr. LEVY. How do you think the administration would react to Congress earmarking funds for priority countries?

Mr. MOOSE. Well, we obviously have indicated our preference to steer away from that. We will submit, we have submitted this legislation. We will submit our proposals for expenditures. We will have a dialogue with you. And in the end you will have your will in the matter.

But we have indicated that we believe we will respect the priorities which we know are there in the Congress, that are reflected in the Congress. We would like to have the flexibility to be able to move in unusual circumstances to respond quickly without having the type of constraints that have really handicapped us in the past in being able to move, respond to crises and take advantage of opportunities.

And, finally, I would say with regard to the present legislation, of course, it is a charter. It is not an authorization. You have another shot at this.

Mr. LEVY. Thank you.

Mr. ATWOOD. Mr. Chairman, may I just briefly respond to Mr. Levy?

Chairman HAMILTON. Yes, indeed.

Mr. ATWOOD. We think that putting the prohibitions in this act under one title clarifies what it is we all agree should or should not be done. I think that is helpful. The transfer among accounts that you indicated has been made more limited as a result of the consultation process, and it will require, of course, consultations.

We believe that this bill will enable Congress to conduct its oversight responsibilities a lot more easily than it does under current law.

Chairman HAMILTON. The Chair is advised that the two witnesses have to leave at 12:15 or very shortly thereafter. We have two other members that have not had an opportunity to ask questions. I will call on Mr. Engel then Mr. Royce. And that will conclude it.

Mr. Engel.

LACK OF EARMARKS

Mr. ENGEL. Thank you, Mr. Chairman.

I first of all would like to add my voice to my colleagues that have expressed concerns about the lack of earmarks. While I have confidence in this administration and what it will do vis-a-vis foreign aid, I worry about what will come in the future and the fact that the lack of earmarks may eventually jeopardize aid for allies such as Israel and Egypt. I just wanted to add my voice to those concerns.

I have a question, a general question about the bill itself. As you know, much foreign assistance is not provided through the Foreign Assistance Act, such as military aid in the Arms Export Control Act and food aid policy of P.L. 480, World Bank lending which falls under the Bretton Woods process and other programs.

Some have suggested that a foreign aid reform bill ought to be bringing all of these programs under one legislative umbrella. Have

you thought about that? Why shouldn't they all be funded according to the five titles?

Mr. ATWOOD. Well, the five titles obviously would force us to be a lot more strategic in the way we approach the issues that the titles themselves raise, like building democracy. USIA programs, for example, which are not specifically in this bill, would come under that title. We would have a mechanism to create coordination mechanisms to make sure that we are looking at this.

The important point to emphasize, I think here, is that the Secretary of State under this bill takes responsibility for coordinating this. He already looks at the structure of the 150 account to determine priorities within the 150 account in terms of expenditures. This would make it easier because one would have to rationalize. In other words, the competition that exists between agencies and programs would fall under a strategic objective now, as opposed to being spread across government under a maze of objectives. This, I think, makes coordination, rationalization of our programs, and harmonization of our programs a lot easier.

Mr. ENGEL. No, I understand what you are trying to do. And I think those goals are laudable. I just wonder if in the future we might consider taking it one step further. I think the problem has been that the public really, to a very large degree, has not been made aware of the importance of foreign aid. As you know, foreign aid has been dropping. And the attitude amongst many people is, and it is understandable, that we have so many problems at home, well, why are we giving the aid away to foreign countries?

I think once it is shown that 75 percent of the aid which we give actually comes back to us and is spent on goods and services in this country and that, in fact, the United States does have a vital interest in what goes on around the world as the last remaining superpower, I think that the public and the American people will understand the importance of foreign aid. And I hope that what you are trying to do will go a long way toward that goal.

GREECE-TURKEY RATIO

I have one other specific question. And I know the hour is late. Does the administration intend to continue the 7-to-10 ratio for Greece and Turkey? And will the \$15 million in aid to Cyprus be continued in support of a resolution of that conflict?

Chairman HAMILTON. Mr. Engel, that question will really come up when Secretary Christopher testifies. Those provisions are not included in this bill at all. But they can answer. I do not mean to shut them off.

Mr. ATWOOD. I would have said the same thing, Mr. Chairman.

Chairman HAMILTON. If you are anxious to answer these questions we will be happy to let you. But you will have an opportunity to address that to Secretary Christopher. All right?

Mr. ENGEL. OK, thank you.

Chairman HAMILTON. Mr. Royce.

MOVING DEMOCRACY AND ECONOMIC DEVELOPMENT INTO THE FOREFRONT

Mr. ROYCE. Yes. Mr. Atwood, let me just say I applaud your efforts to move support for democracy into the forefront of the agen-

cy's mission. And I also applaud the linkage, as I read it in your materials, between democracy and economic development. There is a positive correlation on the moral and practical levels between democracy and markets. It is the only way up from dependency. I think that is what the source of your budget, the U.S. taxpayers, believes and I think that is what they would like to see.

In addition, let me say many of us are very concerned about the trend in Russia and Hungary and Poland of democratic transitions suffering partial or possibly total reversals. It seems clear that more needs to be done to shore up democratic institutions and democratic groups of all sorts on a fast tract basis. It would seem that you have to get in there, get a qualified assessment of the antidemocratic threats, such as the laws and the coercive mechanisms and the parties and so forth, and then designate assistance to be sure we do not support antidemocrats, to be sure we do support the pro-democratic forces, and that we do so in a timely and adequate matter.

Now, what we are seeing in hindsight, in Russia we see Zhirinovsky's votes as far back as 1991. We see one coalition of strong antireform groupings and one of weak Democrats. And we end up spending about the equivalent of a U.S. Senate race to help them. And now we are told they will be lucky to make it past June. We've got to do better than that.

My concern here is not really to be critical but to point out a perception and a concern that if democracy falls on the ground and in its new rebirth as an agency priority, then we will all be very sorry for a very long time.

And I would like to just close with this question, going back to the question of the role that private U.S. groups are playing in your democracy efforts. Last year Secretary Christopher spoke about the importance of U.S. groups becoming directly involved with their counterparts in democracy. Is this still the view? Is it working? Or are you having to program this kind of money through the consulting firms and PVO's that AID relies on for so much else?

Mr. ATWOOD. Mr. Royce, let me say more generally with respect to democracy and its relationship to economic development that there are a whole series of both negative and positive reasons why that has to happen. If you wish to call it negative, the fact of the matter is that, if you are looking for more transparency and accountability on the part of the governments that are partners of the United States, they need to have democratic institutions.

On the positive side, you cannot achieve sustainability in development unless you are working with real people in the country who are putting a real effort into working with indigenous nongovernmental organizations. In that regard, we wish to emphasize even more than has been heretofore our working relationships with American NGO's and PVO's. We are certainly trying to reinvigorate or invigorate that relationship—make them more effective, make sure that they are operating obviously within the broad strategic goals of the agency, but at the same time, respecting their independence so that they can develop this people-to-people network that has so affected the world in which we now live.

Traditional diplomacy doesn't work in this particular world as it once did because governments are not all-powerful; these NGO net-

works are also influencing policies and relationships among nations.

With respect to Russia, let me just say very briefly that our program in Russia is based on the notion that we can help them build a democracy in a market economy from the ground up. It is not just a top-down policy.

And I think we have to stay the course with respect to our approach. We have seen some positive changes as well as these negative ones. We have seen Russia, in its last election and its adoption of the constitution, develop democratic structures for the first time. True, Zhirinovsky and his party are not the people we would want represented there. But they represent a strain of thought in Russian. And it is better to have them in the tent and exposing their thoughts on a daily basis.

There was just another article about Zhirinovsky just today. The more exposure he gets, it seems to me, the less chance that he is going to be really effective in the long run politically in Russia.

Chairman HAMILTON. Mr. Atwood, I am going to have to interrupt you here because a vote is pending in the House.

Mr. Royce has raised some very important questions that need to be pursued more fully. And I am sure we will have the opportunity to do that.

Thank you very much. We will be submitting some written questions to you from members of the committee for your immediate response.²

Mr. ATWOOD. Yes, sir. You will have them, Mr. Chairman.

Chairman HAMILTON. All right. Thank you very much. And we stand adjourned.

[Whereupon, at 12:14 p.m., the committee was adjourned.]

²The questions appear in the appendix.

H.R. 3765—PEACE, PROSPERITY AND DEMOCRACY ACT OF 1994

WEDNESDAY, FEBRUARY 9, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to call, at 9:33 a.m., in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman) presiding.

OPENING STATEMENT OF HON. LEE H. HAMILTON

Chairman HAMILTON. I would like to welcome the witnesses to the committee this morning and express my appreciation for their appearance. I do not think I have to inform them about the important issues that the committee faces with respect to foreign aid reform. And we just have an outstanding group of witnesses this morning in two panels. I want to say to them that I have to testify at 10 before the House Rules Committee on congressional reform for an indeterminate period, so I am not just sure when I am going to get back, but I do intend to come back.

Since we do have a large number of witnesses and limited amount of time, I am going to ask that they really zero in on the most important recommendations that they want to make to this committee. Their written statements, of course, will be entered into the record in full. And if they feel that they would like to have additional conversations with members of the staff after they have testified, we will certainly try to accommodate them and also with members to the extent that we possibly can.

I think our first witness is a former member of this institution, distinguished member from New Jersey. We are delighted to welcome him back to the House Foreign Affairs Committee. He is a friend of all of us, Mr. Maguire. Andy, we are happy to have you.

Now let me—before you go, I probably ought to explain that light system. We will flip it on when you begin. You are accustomed to operating under the 5-minute rule, Mr. Maguire, and we are going to put that on for all of you. The light will go on green when you begin; the yellow light will come on with what, roughly 30 seconds or a minute left; and we would appreciate when the red light comes on that you conclude your remarks. Mr. Maguire, you may proceed, sir.

PANEL I

STATEMENT OF ANDY MAGUIRE, PRESIDENT, AT
INTERNATIONAL

Mr. MAGUIRE. Thank you, Chairman Hamilton and members of the committee for this chance to participate in this discussion.

There is no greater force for progress—for peace, democracy and sustainable development—than ordinary people striving for a better future. Reaching to affirm and figuring out how to support them, their enterprising spirit, their industry, their key institutions is a secret to sound development in our world today.

Sixteen thousand feet up in the Bolivian Andes, alpaca ranchers are refining their fiber production and processing to target clothing manufacturers in Europe. This value-adding emphasis holds similar promise for shepherds from Guatemala to Nepal.

Across wide stretches of Africa, families are starting new businesses and building a new rural industry by investing their savings in a simple technology that enables them to process sunflower and other oilseeds and bring critically needed jobs, income, and cooking oil to their home communities and regions.

Hundred of thousands of dairy producers in India, most of whom are women, are embarking on an initiative to significantly raise the milk production of their cows while cutting back on methane, a major contributor to global warming.

Mr. Chairman, small farmers and business people like these are raising most of the planet's next generation. They account for most of the jobs. They manage most of the Earth's natural resources. They are civil society. They make decisions and exercise liberties in the name of families, communities, home lands, nations. They are development's most dependable engine and, as Thomas Jefferson observed, democracy's yeomen. The right kind of opportunities for them mean a better world for us all. Higher productivity, better markets, fairer trade, less poverty-driven environmental devastation. Fewer refugees from failing economies and ecosystems. These things are in every American's interest.

Yet, for decades, as you appreciate so fully, the world's major aid programs, including our own, have failed to reach effectively and at significant scale these people, these producers, these linchpins of economic systems and economic progress. We have failed to tap their creativity and to assist a new generation of leaders, their enterprises, their problem-solving institutions outside of government.

As Administrator Atwood's reforms indicate, development assistance is no longer cost-effective on a country by country basis. Global initiatives for economic development and environmental protection must be launched, with a good share of the funds coming now from other donors, public and private, convinced on the merits.

I would like to suggest that a strategic approach to the needs and potential of millions of small producers is now in order. Such an initiative would target the practical millions who will make development sustainable or not. It would promote the market-based good business sense the United States has done most to foster.

Small producers are concentrated in a limited number of key economic activities: producing cooking oil, dairy products, fruits and vegetables, animal fiber, textiles, processing tree crops like coffee,

coconuts, et cetera. They are linked, from one country and continent to the next, by very similar value-added chains, a comparable set of market restraints, and production bottlenecks that require access to the same families of hard and soft technologies.

With its sights on sustainable livelihoods for the world's low-income majority, this committee can pass a bill that puts people first, at home and abroad, and thereby passes muster with the American people. A global small producer initiative would be among the cheapest and best investments our country could make. It would make it possible for many millions of ordinary people to do even more extraordinary things. Thank you.

[The prepared statement of Mr. Maguire appears in the appendix.]

Mr. LANTOS [presiding]. Thank you, very much, Mr. Maguire. Our next witness is Julia Taft, president of InterAction.

STATEMENT OF JULIA TAFT, PRESIDENT, INTERACTION

Ms. TAFT. Thank you, very much, Mr. Chairman. On behalf of 153 members of InterAction, I am here to thank you for having the hearing and to express—

Mr. LANTOS. Could you get the mike a little closer?

Ms. TAFT. I thank you for having me here today to represent InterAction, which is a coalition of 153 U.S.-based international development relief, environmental, population, refugee and advocacy agencies, all working on the issues of sustainable development and humanitarian assistance.

One of the most extraordinary things about the process that you were reviewing as a committee today is that for the first time in our experience, we have found a very strong working coalition of organizations that are cutting across all aspects of development. The education community, the environmental community, the population, the relief, the development practitioners have come together to work on a new reform legislative package. InterAction has been privileged to be involved in many discussions. We have noted many through our advocacy committee, and we are very enthusiastic about the direction for reform which is incorporated in the legislation that is being considered today.

There is no question that the United States has an unassailable interest in working toward a stable, sustainable world of healthy, well-educated people, living in democratic societies, and fully engaging in their own determination of their future and their own pursuit of happiness.

We believe, as agencies, that there is strong support by the American people for foreign assistance, humanitarian aid and sustainable development. I know this is a question that always comes up, but we think it is clearly articulated in the level of funding that Americans all throughout this country give to all of our agencies for the important work that we do.

We also have been involved and pleased very much with the cooperation we have received from the administration and this committee in reviewing the draft legislation that was presented last fall. We developed a series of very detailed comments, which we have shared with this committee and with the executive branch. We are pleased that the bill that we are looking at today includes

some very strong incorporation of the recommendations that we have made. In particular, we are extremely pleased with Title I, the whole sustainable development components, which underscore not only the recognition of the importance of sustainable development, but also the need to address population growth and environmental degradation, and the alleviation of hunger and poverty.

The centrality of NGO's and PVO's is very important. We are, however, concerned in Title I that the chapter that relates to the Development Fund for Africa, that is the only mention that is there of the trend. We want very much to have a separate Development Fund for Africa. We would also like to have sustainable development components in other aspects of the bill, particularly in those sections which relate to Eastern European and the Newly Independent States.

With just a few seconds I have left, I would like to also make a particular appeal that if something is not broken, we should not fix it. In particular, I refer to the refugee assistance language that is in this act, which supersedes the existing Refugee and Migration Act. InterAction recommends that the language as it currently exists with the separate authorization in the 1962 act be retained because our coalition has been very pleased with the role of the Department of State in those programs and the current legislative framework.

Generally, we look forward very much to working with you and the committee in any modest modifications of this legislation. I can assure you that the member agencies of InterAction are very, very committed to having foreign assistance reform completed this year and enacted. We want to work with you and the rest of the members in achieving that.

Thank you.

[The prepared statement of Ms. Taft appears in the appendix.]

Mr. LANTOS. Thank you, very much, Ms. Taft. Our next witness is Cheryl Bartz, National Peace Corps Association president.

STATEMENT OF CHERYL BARTZ, DIRECTOR OF PROGRAMS, NATIONAL PEACE CORPS ASSOCIATION

Ms. BARTZ. Good morning distinguished members of the committee. My name is Cheryl Bartz. I am the director of the Constituency for Sustainable Development, which is the advocacy program of the National Peace Corps Association. Our president, Charles Dambach, would have wanted to be here, but cannot because he is recuperating from having donated a kidney 2 weeks ago. So, I am speaking on his behalf and we appreciate the opportunity to participate in this roundtable.

Some of you may not be familiar with the National Peace Corps Association and what we bring to this discussion. Perhaps uniquely among this distinguished panel, I and the people I represent have lived at the village level in nearly 100 countries. There are now nearly 140,000 people who have served as Peace Corps volunteers. Our friends and neighbors in those countries where we served are the intended recipients of foreign assistance.

As Peace Corps volunteers, we have seen poverty and injustice, and that experience gives us a strong desire to come back home and help make a difference in U.S. foreign assistance policy. Be-

cause of that, our members asked us to help them become advocates for their friends abroad.

To do that, we formed the Constituency for Sustainable Development. Those people who become members of the constituency pledge to call and write you and other Members of Congress, and to educate people in their communities about other countries and the need for foreign assistance. Some of you may have heard from our members during the past year, and I am sure that you will be hearing from more of them in the coming year as you consider reform of foreign assistance.

Those, then, are the two characteristics that our membership brings to this table: personal experience at the grassroots level, and commitment to work with the political system to try and achieve change.

You have sent 140,000 people abroad to help achieve three goals as part of the Peace Corps. One of those goals is to help educate Americans about other countries. And one of the messages we bring back is that we need a foreign assistance program aimed at the alleviation of poverty and hunger in environmentally sustainable ways.

As Peace Corps volunteers, our views on foreign assistance are grounded in personal experience. You have reams of reports and statistics, but what we bring back are the personal experiences of people who are living under conditions of poverty.

Why do we believe that foreign assistance is in the U.S. national interest? Because peace is in the U.S. national interest and foreign assistance can help achieve that. One woman that I met captures that for me. I accompanied a team surveying people living in a national park in Honduras, and the settlement where she lived was a 2-hour walk from the nearest public transportation. There were only six houses. There were no public services. There were no schools. She and her family had moved there because there was land there. And she had never had a school and there were none for her six children.

Their house was about 10 by 10 feet, with walls of corrugated paper and plastic sheeting. And having lived through a number of tropical storms, I know that that house could not shelter eight people during the rainy season. Her husband and her older son were off that day looking for work. And if he was lucky, he would get work making about 18 cents a day.

We offered this woman nothing. We were only there to ask questions. But when we left, she insisted that we each take two bananas.

Now, to me, she captures why we need a foreign assistance program. She is not unique, but she is living on the edge. The land is not theirs, and they have no prospects for educating their children or ever improving their lot.

The United States invested heavily in defeating communism. And now it is time to continue that investment, and invest in political stability that comes from equity and economic opportunity.

In my few remaining seconds, I would like to say that we have participated in the review of the Foreign Assistance Act, the interaction it has conducted, and we agree with those detailed comments. We recognize that we have to help you by getting our mem-

bers to educate the public about the need for foreign assistance. And we look forward to working with you on this, and thank you for the opportunity.

[The prepared statement of Ms. Bartz appears in the appendix.]

Mr. LANTOS. Thank you, very much. Our next witness is Mr. John Sewell, president of the Overseas Development Council. Mr. Sewell.

STATEMENT OF JOHN SEWELL, PRESIDENT, OVERSEAS DEVELOPMENT COUNCIL

Mr. SEWELL. My colleagues, I would like to thank you, for the opportunity to testify here today. I want to revise seven points, identifying areas where I think the draft bill could be improved.

First, the legislation, as it is presently written, runs the risk of trying to be all things to all people. There are no priorities established, either between the various titles, or, in many cases, within the separate sections. And it is absolutely crucial, it seems to me, that the opening foreign policy statement clearly articulates U.S. international priorities and the role of foreign assistance meeting those priorities.

For instance, there is no clear statement in this draft that the transition in the former Soviet Union and Eastern Europe, and peace in the Middle East, really are the clear priorities, and, in fact, command well over 50 percent of the money in the fiscal year 1995 budget for four of the six titles under this bill. This is particularly important because as you look at this legislation, you are going to have to establish priorities in an era where scarce resources are going to be needed to meet a variety of U.S. interests.

Second, and closely related to the above, is that while the objectives and types of assistance set out under each of the titles are unexceptionable, they do not really give any guidelines for setting those priorities, particularly when it is clear that the resources, particularly for sustainable development, are going to be very scarce. It is very important, therefore, that in your deliberations over the legislation, or in agreement with the executive branch, you set out a selected number of critical goals which build on the strengths of this country and meet the needs of people in the developing countries.

Let me just suggest several, that it is quite possible to contemplate, over the next 5 to 10 years, completing the children's health revolution which began in this century and eliminating the major killers of children in the Third World. Equally, it is quite possible to make family planning available to women of reproductive age throughout the world within a set period of time, if the United States is willing to take leadership on those kinds of targeted and highly desirable goals.

Third, the use of the functional categories to organize the legislation is a great advance because it makes clear what are the overall emphasis of U.S. foreign policies. But it presents two unresolved problems: First, how do we know when we have succeeded? And second, how do we know when the United States is secure or when development has become sustainable? In addition, it does not make very clear why certain programs are under any one of those functional categories. Why, for instance, is funding for the Soviet Union

and Eastern Europe under the title for building democracy, when it is just as important that the principles that apply to sustainable development also apply to the programs in those areas?

Fourth, and very importantly, the draft makes no recognition of the changes that have taken place in development cooperation. The reality is that the United States is no longer the largest provider of foreign assistance; therefore the draft is totally inadequate under the section dealing with the international financial institutions. The legislation needs to be much more specific about the mix of our development assistance, and particularly about who has authority over U.S. policies toward development institutions.

Fifth, the draft is very weak on poverty as a goal of foreign policy; and this committee has insisted on that for the last 20 years.

Sixth, it is very weak on the specifics of promoting democracy in contrast with the section on sustainable development.

And seventh, it really does not make clear who is in charge of overall foreign policy. It is silent on the relationship between USAID and those in the State Department responsible for international organizations and global issues. And it is silent on the issues of interagency coordination within the government in crucial areas such as the multilateral financial institutions.

Therefore, while I think the bill is a commendable start on the part of the administration, it is clear that it needs improvement if it is to be passed and become the guiding principles for U.S. foreign assistance.

Thank you.

[The prepared statement of Mr. Sewell appears in the appendix.]

Mr. LANTOS. Thank you, very much, Mr. Sewell. Next, we will hear from Mr. Richard Bissell, former USAID Assistant Administrator.

STATEMENT OF RICHARD BISSELL, FORMER ASSISTANT ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. BISSELL. Thank you very much, Mr. Chairman, for the opportunity to testify this morning.

Mr. LANTOS. Could you pull the mike closer to you?

Mr. BISSELL. I appreciate the opportunity to be here this morning and I have submitted written testimony to be incorporated in the record.

I would just highlight a few points from my testimony this morning and hope that they can become a source of some discussion by this committee as you begin to markup this pending legislation. It seems to me that we have used this last year, during which time many of us waited with bated breath, for the emergence of this legislation to deal with a lot of the fundamentals. So, I will raise four basic issues.

During the course of those discussions, not only last year, but in the years before that, it seems to me there were four imperative needs in reforming foreign assistance. One was the need to simplify and focus the program. The second was the need to better coordinate within the executive branch those programs that influence the future developing countries. The third is to better relate the official development assistance programs of the United States to those

many helpful nongovernmental development efforts coming from cooperatives, nongovernmental organizations, PVO's, businesses and universities. And fourth, is the need to relate our foreign assistance program to what is really a new world in the 1990's, which, by itself, would require some changes in our foreign assistance program.

The question that you want addressed this morning, I am sure, is how does the proposed legislation serve to address those four issues. I can briefly summarize my reaction to the current version of the bill. One is: does this new legislation really meet the need to simplify and focus? Several of my colleagues have said the priorities of the new bill are not clear. It is important that reform not simply be allowed to happen in an evolutionary fashion through sequential appropriations. We already see the cost of that to sustainable development programs in fiscal year 1994, as well as the fiscal year 1995 proposal. I would like to see it addressed much more directly in terms of the policy language of the authorization.

The second question was that of coordinating U.S. activities in developing countries, an issue that is largely absent from the bill. It is one that, for many years, people have attempted to deal with, as in the creation of the Development Coordination Committee, or International Development Cooperation Agency. Those failures, it seems to me, do not suggest we should abandon the efforts to coordinate activities in developing countries, but to reflect on how much more important they are today. In fact, we can do far more good or damage to a developing country through our trade negotiations than we ever can through resource transfers. And unless we relate different programs and policies and activities in the executive branch, much of our money in development assistance will be down the drain.

The third area that I raise is the need to bring about a stronger partnership for development with nongovernmental development institutions. The bill has gone a long ways in dealing with this with helpful support from InterAction. I argue there can be a stronger emphasis on building partnerships between American nongovernmental actors and those in developing countries, as opposed to placing AID in the middle.

The last area that is important, it seems to me, is how to relate our foreign assistance program to the larger U.S. foreign policy strategy. And that concerns me greatly, given what I hear from many observers, that we do not yet have a consensus with regard to our foreign policy strategy. And if we do not have that, tying our foreign assistance program to a meandering foreign policy strikes me as dangerous. It may be time to think about how to take a Development Fund for an Africa model and apply that across the board to sustainable development.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Bissell appears in the appendix.]

Mr. LANTOS. Thank you, very much. And the final member of this panel is Barbara Bramble, director of International Programs for the National Wildlife Federation. I am very happy to have you.

STATEMENT OF BARBARA BRAMBLE, DIRECTOR, INTERNATIONAL PROGRAMS, NATIONAL WILDLIFE FEDERATION

Ms. BRAMBLE. Thank you, Mr. Chairman. I have the luxury of being able to endorse and rely on the comments of all my colleagues this morning. I agree with them quite strongly. And I think you will find that the national interest that is expressed in environmentally sustainable development, or alleviating poverty in environmentally sound ways has a huge constituency out there for it. And the millions of members that I represent here today in the National Wildlife Federation and Sierra Club are following this legislation.

Now, I want to make just a couple of points, because much of what I would need to say has already been said. Just to give an example of how we see the disconnect in this legislation working out in practice. We all give a lot of credit to Brian Atwood and his team for the drafting of the principles and the understanding of sustainable development in Title I. And I suppose in the 1990's phrase, you might say, "they really get it." It does not lead exactly to concrete programs, but at least they know what they want to try to achieve.

But that leaves us with quite a problem. If you take a look at the overall bill and you think about the overall budget, there is a chunk that is labeled sustainable development and, of course, most of that goes to the international financial institutions. Probably most of you who have not been in a library for the last 10 years know what I and my colleagues think about that. And let us just say that until there is a lot more change at these particular multilateral banks, we have our doubts that what they are funding is sustainable development.

So, you are left with about \$2 billion out of this whole, perhaps \$20 billion for foreign operations that calls itself sustainable development, and our members want to know what on Earth is the rest of it. Is it funding unsustainable development? And I really do not know what to tell them.

Here is an example: take a look at the section on the Trade and Development Agency. It is supposed to be promoting U.S. private sector participation in developing middle income countries. That is section 5201. Last fall, we and others proposed some minor amendments to that section, essentially so that they would do their work "consistent with sustainable development." But, that was totally ignored in the drafting of that section. So, there is still not one word in the section on the TDA, even to suggest that it would be a good idea to promote U.S. skills, for example, in environmental impact assessment, a field in which our experts excel around the world.

But, it really is worse than that. I spent several hours last week with officials of the Export-Import Bank. They are trying very hard to figure out how to get that bank out of the business of financing environmental atrocities, some of which have been foreign policy embarrassments for our country. But their problem is they come into a project after it is too late to have any influence, only when maybe machinery is being ordered. But the assessment of alternatives of the project may have been done badly or not at all. So their choice, at the point where they get a proposal, is only to ei-

ther help U.S. workers get the jobs in a bad project or let those jobs go to Germany.

Now over in another department, you have the TDA, which is in on the beginning of projects, the feasibility studies. They could help planners do good alternative studies. They could help the decisionmakers assess sustainability of different options. They could, in fact, help promote one of the areas where U.S. technology leads the world, energy efficiency investments, which the Export-Import Bank could then come in and help fund. But is that a goal of TDA? No. It is not even mentioned.

In this day and age, there is not enough money to waste in such a silly way. Well, this whole principle applies to the rest of our foreign operations. There are better or worse ways to fund democracy building, refugee assistance, even peacekeeping, and to promote, or at least not to inhibit, sustainable development in those areas. Our Government should have the task of finding and savoring those sustainable development methods, not just shoveling money out of the door. And as has been said already this morning, there really is not that much money to shovel; so, we cannot afford to waste it.

Thank you.

[The prepared statement of Ms. Bramble appears in the appendix.]

ESTABLISHING PRIORITIES

Mr. LANTOS. Thank you, very much. And I want to commend all six of you for staying within the committee time constraints that we have.

Let me begin the questioning with a couple of general items, and anyone of you is free to answer or all of you. There has been quite a bit of criticism on the part of a number of our distinguished witnesses that there are no priorities established, that everything seems to be of equal importance or unimportance.

Let me be the devil's advocate and take the other side of it. In the first place, if you clearly establish 6 priorities or 10 priorities in descending order, then you, by definition, bring about the opposition and hostility and criticism of groups for whom a number three priority is a number one priority. And while I had nothing to do with drafting this proposed legislation, I have a great deal of sympathy for the drafters. Because if you believe that population is the number one priority, as obviously some of you do, you might find that not everybody agrees. And my feeling is that there is some charity that is required, vis-a-vis the drafters, in recognizing that they were sensitive to the different priorities of different constituency groups, both here and abroad.

I would be grateful if any of you would care to comment on my contrary view. Yes, Andy Maguire, will you take the mike?

Mr. MAGUIRE. Thank you. It is, of course, an excellent question. Priorities can only be established in the context of a strategy. And I think what many of us are saying around the table here today is that the strategic elements of a development assistance program going forward are not very well articulated in this legislation, and we hope that the committee will be able to help that process forward.

It is important, of course, because without priorities and, therefore, without a strategy, you cannot accomplish real change. And that is particularly true in a shrinking budget environment where there are fewer dollars and, therefore, you must adopt—you simply must adopt a shorter list of key things that give you the greatest leverage on results now and in the future.

If, as you suggest, this was simply a way of husbanding one's language and resources in order to hit the strategic targets most accurately, one could be comforted. The difficulty is that the reality historically has been, and may now still be, that this kind of fuzziness is really in the service—

Mr. LANTOS. It is called studied ambiguity; it is not fuzziness.

Mr. MAGUIRE. Thank you. However you wish to characterize it, it really ends up being in the service of a process of accommodating an existing multiplicity of interests, or even lots of theoretically good things, with the result that there is, in fact, very little, if any, significant change. And I think that is the dilemma that the committee must grapple with, and that AID leadership must grapple with, and the present administration must grapple with.

It may be a truism that bureaucracies, both public and private, develop their own logic and their own momentum; and it may be that this is true even when, or especially when, they have been stumbling. So, at this moment in history, I would suggest precisely this point where key strategies simply have to be identified and vigorously pursued—in spite of a political process which, as we all know, inevitably tends to undermine and work against that. I am already hearing voices, not only outside, but also within the agency, that suggest that there is a continuing concern about whether or not there will, in fact, be real change.

In the past, it has so often been the case that there was not real change. It is now 33 years since the 1961 Foreign Assistance Act. If there was ever a moment in time to reach for real change, it is now. I hope the committee can help with that.

Mr. LANTOS. Anybody else care to comment on this?

Mr. SEWELL. I think the categories are unexceptionable, and I think you have a very good point. But, we are dealing with a world where priorities are already being set on several levels. One is clearly on the budget. I did a quick calculation when I saw the budget proposals for fiscal year 1995 and roughly \$8 billion to \$9 billion of the total is going to the Middle East and the Soviet Union. That is a clear priority, given the fixed limits.

Second, we are funding in this bill several very important interests, precisely because it is a foreign policy bill and not just a foreign aid bill. For instance, it is extremely important to disarm Soviet missiles pointed at us; and it is terribly important to promote U.S. exports in the way that Barbara Bramble discussed. But, these are not foreign aid issues, they simply promote U.S. interests.

Third, within whatever is left for development—which is not very big by the way—the overall sustainable development account is less than one-quarter of the total fiscal year 1995 budget. What are we setting out to do with this limited money that we can hope to achieve within any given period of time? Here, neither the language in the bill, nor the USAID strategy papers, which are also

laundry lists, gives any clear indication of how we are going to maximize the use of those scarce resources.

Mr. LANTOS. Anybody else care to comment on this?

Well, I found your responses extremely helpful. And let me just say that you, in a sense, answered the dilemma that the priorities are defined by the budget that is emerging. President Clinton just submitted a budget which, for instance in the housing and urban development arena, doubles the amount of money we propose to spend during the next fiscal year on the homeless, while it cuts back other very worthy programs. That clearly reflects a very high priority on finally tackling the problem of homelessness.

And I suspect that what some of you may be saying, or what some others may be saying, is not that you object to the lack of clear priorities, but you are concerned that in the budgetary process, priorities other than the ones you prefer might emerge as the winners. Am I misreading? Yes, please, Bissell.

Mr. BISSELL. Actually, the issue goes beyond that. Right now, the principal priority setting mechanism is the budget.

Mr. LANTOS. Yes.

Mr. BISSELL. Development is by definition a long-term process. And unless at the authorization stage, we are willing to set priorities, it will become hostage to those year-to-year variations that budgets will set with their earmarks and recommendation languages and that sort of thing, which is the importance of the authorizing committees choosing to grapple with this issue of priorities.

A program will inevitably become short-term, both in its support funding, as well as its results, unless the authorizing committees say what is important in terms of a foreign assistance program. And without that, the development program really has no rationale. It needs a clear setting out of priorities to guide the appropriators, to guide those nongovernmental organizations, the PVO's, the universities where they are making investments, so that you have a partnership. Without it, people are simply throwing darts at programs.

Mr. LANTOS. Yes, please, Ms. Taft.

Ms. TAFT. Just one additional comment on this. I think that the points that were brought out, both in the InterAction comments and by Ms. Bramble today, indicate that there is a way you can have leverage. The theme of sustainable development, is articulated very well under Title I. There is no reason that that should not apply forcibly to all the rest of the titles. The same is true for environmental impacts. There is a way to leverage the theme of sustainable development in all of the programs, and we do not believe any should be excluded at this point.

GUIDELINES ON PEACEKEEPING

Mr. LANTOS. Well, before turning the questioning over to Congressman Gilman, let me just make one comment, not quite seriously. In the administration's proposed guidelines on peacekeeping, there is a very interesting item that needs to be answered before we can engage in peacekeeping, and that is a viable exit strategy, or as some put it more bluntly, a way to tell us when the job is over. And, of course, you all emphasize, quite correctly, that it is

not over; that it goes on for a long time; that these things need to have a long-term strategy. As you have just indicated, annual budgetary whimsy can create havoc with a sustainable development program.

I would like to suggest, without necessarily asking for a response, that this is equally true of peacekeeping. Because if the peacekeeping operations, for instance, involving Cyprus, had been required to have an identifiable exit strategy, which in English, in this body, means 3 to 6 months, we would have been in deep trouble. So at least this arena is exempt from this new mania of deciding that all problems are soluble within the current calendar year, and an exit strategy is indispensable to spending a dime or to going ahead at all. Congressman Gilman.

Mr. GILMAN. Thank you, Mr. Chairman, and I want to join in welcoming our panelist today. We welcome hearing their views on the Clinton proposal.

Several of our witnesses have been active for many years in working with our committee to promote ideas contained in this sustainable development title, and I know they are pleased as I am. Many of our recommendations of the Hamilton-Gilman report are incorporated in the proposal. We welcome your comments on the proposal, as well as other possible mechanisms for administering it. In that regard, we particularly welcome the testimony of Dr. Bissell, former Assistant Administrator of the Agency for International Development.

I am pleased that we are receiving testimony regarding the role of our land-grant colleges in international research centers to continue agricultural research, which is so important to the entire program. We all know the contributions that those institutions have made to alleviating hunger throughout the world. We want to make certain that their role is not diminished by our reform effort.

Dr. Bissell, you called for a new partnership with nongovernmental developmental efforts with our universities, private voluntary organizations, cooperatives and businesses already committed and involved in development activities abroad. However, suggest a new approach to management through a sustainable development fund or foundation that would empower and enlarge the role of nongovernmental partners instead of stifling them with a bureaucratic blanket. How would you propose to structure such a relationship and where in government would you place that kind of a mechanism?

NONGOVERNMENTAL DEVELOPMENTAL INSTITUTIONS

Mr. BISSELL. Thank you, Mr. Gilman, you raise a number of important points.

There are two developments that seem to be—need to be kept in mind. One is that nongovernmental developmental institutions, whether PVO's or universities or others, have accumulated tremendous experience over the last 30 years or more. Many of them have matured into what one might call full-fledged comprehensive development institutions and, therefore, are much more capable, as opposed to the kinds of institutions AID was dealing with 20 or 30 years ago. And that is an important change in the universe in which AID operates.

The other development that is more recent and one that concerns me is that many of us have worked on these sustainable development principles based upon the notion that AID would be a separate strategically focused institution capable of carrying it out.

I was concerned last week when the administrator said that he was pursuing a de facto merger with the State Department. When he said that, it struck a warning bell because there is a history of the State Department not being very effective at coordinating administering programs. The experience of moving educational and cultural affairs to USIA in the past was one such episode. During times when AID has gotten closer to the State Department have seen a shift of temporal focus from the longer-term sustainable kind of programs, to the much shorter-term programs that are characteristic and appropriate to a foreign policy that has to manage crises.

So, it may be appropriate to consider several models. One model would be an Inter-American Foundation, which is operated as a government foundation, presidentially appointed executives of the Foundation and with appropriations to carry out activities in Latin America. Another would be a somewhat modified Development Fund for Africa, which was given its own statutory language, continued to be managed within AID, but clearly with certain rights and responsibilities in its own mandate.

I would look to these organizations as models. If other people share my concern, we may need to have a long-term comprehensive approach to sustainable development, that under the evolving structure may not be achievable.

AN INDEPENDENT AID, SEPARATE FROM THE STATE DEPARTMENT

Mr. GILMAN. You are a strong advocate, then, of an independent AID, not folded into State?

Mr. BISSELL. I do. That is my experience.

Mr. GILMAN. Thank you. Yes, Mr. Sewell.

Mr. SEWELL. Congressman, I welcome the opportunity to respond to your excellent question, in part; because I am the author of one of those proposals several years ago, for a Sustainable Development Fund, which I would be happy to make available to the committee.

There are two choices here, and each has direct relevance to your consideration of the bill. Either you make the State Department the major institution to promote sustainable development, or you create a separate agency. Now the administration proposes, in a not yet satisfactory way, to reorganize our foreign affairs apparatus around the principles in the bill; at least that is the implication of the bill. That is why it is very important, as several people on this panel have discussed, to incorporate the sustainable development language in Title I in the whole bill, because it bears relevance for the Soviet Union, for trade promotion activities, for security, and so on and so forth. If that is not possible, then, it seems to me, you would have to consider setting up the kind of separate foundation-like entity implied in your remarks.

I would take the administration at face value and push them even further. I share my colleague Rich Bissell's skepticism about the State Department, on two levels: both on its real commitment to development, and on its ability to coordinate the rest of the

agencies as is implied in the language giving authority to the Secretary of State. The Department has never done so; and more importantly, it has never wanted to do it. Therefore, I would urge you to push the administration very hard on this as you rewrite the legislation.

Mr. GILMAN. Yes, Andy Maguire.

Mr. MAGUIRE. I strongly endorse the comment that Richard Bissell made about the importance of what I might call intermediary institutions or funds. The problems are so massive that we tend to think, well, let's just do it. Get the dollars out there, send in the experts, think big about policy reform or whatever. Or alternatively, the other great pitfall is to study it forever. And there has been much too much of both in the long-term and recent history of our foreign assistance.

I am increasingly convinced of the wisdom of the proposition that the process has an absolutely intimate and irreducible link with the results. And that means to me that our foreign assistance program should be focusing on intermediaries, partnerships; if new ways of thinking and on problem-solving capacity; delivering means, methods, vehicles so that the creativity, and the commercial sense, and the dynamic expanding possibilities of people in institutions in developing countries is fully activated and harnessed. So that over the long run, the problems would be solved in the only way that they can be solved, which is not by us flying in our experts.

And I am impressed with the notion that if you do not do it right, in the right way, with the right process, with the right partnership kinds of arrangements, that you will not do it at all. And I would urge the committee to give consideration to that strategic aspect of process as it addresses the issues of foreign assistance going forward.

Mr. GILMAN. Yes, Ms. Bramble. Thank you, Mr. Maguire.

Ms. BRAMBLE. Just a brief addition, Mr. Gilman. I was struck by your question because a year ago, maybe even more, you may recall that a very large number of environmental organizations across this country had made a proposal to the new administration, not just of the sustainable development principles as being so important to our foreign operations, but quite specifically to take a look at a new approach through a foundation-type institution that might possibly be more imaginative and more able to deal with the kind of processes that Andy Maguire was just talking about, to work with the people in developing countries and helping increase their own capacity.

My sense is that to do such a thing would require a fairly gradual transition. Number one, because there are things that are important to be in a government-to-government relationship in the area of Title I, particularly in this bill, and certainly the others. But that a way to start on this, and that what we had proposed, was to start small and to increasingly move, as success can be shown, funding slowly to the point where one has maybe an appropriate mix between an Inter-American Foundation type of institution and a government one, which is always going to be prone to the threats that Richard Bissell was just talking about. It will always be in a tussle with the State Department. And the only way

to really isolate the development assistance kinds of things we are talking about from that is to truly have it be independent.

But, you cannot just dump \$1 billion or so into a brand new institution because the process is the point. And if slow growth, much less than 50 percent a year increase, for example, is all that can be accommodated, and that is realistic, I think we do have to talk about how one gets there.

But there are cajillions of environmental groups out there and I know other members of InterAction who have given a lot of thought to this other way of going. And basically, today, we were talking about this bill; but, maybe, we should not have been.

Mr. GILMAN. We thank you for your comments. Mr. Chairman, I recognize my time has run. I do have other questions. I hope there will be a second round. I would want an opportunity.

Mr. LANTOS. Sure. Are there any other colleagues? Yes, Congressman Faleomavaega.

AFRICA GETTING THE SHORT END OF THE STICK WHEN IT COMES TO FOREIGN ASSISTANCE

Mr. FALEOMAVAEGA. Mr. Chairman, I also would like to commend the members of the panel who have testified this morning. I just have a couple of questions. Maybe because of the fact that our distinguished members of the panel here are quite familiar with what has been happening with our foreign assistance program, I wanted to ask them: why is it that Africa seems to get the short end of the stick when it comes to foreign assistance?

Here, we are talking about 600 million people and a continent that is out there that always—when we talk about this, it is always taken in a passive sense that we do not seem to really pay that much attention to it. And I think this proposed bill really touches on that very thing here that it just does not seem to address. And I wanted to ask your opinions. Why—do NGO's—are they concerned about this? Or does it seem that we just like to talk about it and then wait until next year, we go through the same ritual again? Or why is it?

Ms. TAFT. The second panel today will have representatives who will also speak to this subject, sir. But let me just say on behalf of our community, we are very concerned, not only about the lack of clarity of the future of the Development Fund for Africa. We think it must be included as a central theme of our foreign assistance program.

We are also very concerned about the mission closings in many African countries, some of the poorest countries in the world. We are going to be working with AID on these questions. But, there is an overriding sense that if you look on the human development scales, the humanitarian requirements for Africans, the large numbers of internally dislocated people, and the whole environmental degradation, Africa has to be a centerpiece in our sustainable development and poverty reduction strategy.

We would very much appreciate the reaffirmation of that central theme, as well, by this committee in its review of the legislation.

Mr. LANTOS. Yes. Anybody else care to comment?

Mr. SEWELL. Just a quick comment, Congressman. Although this is a question of relative poverty, Africa is going to end up least or

less badly off than, let us say, Latin America or Asia, in budgetary terms. It is not necessarily a commendable thing, but it is a reality.

Secondly, here is where the question of priorities again comes into play. Brian Atwood talked about it, identifying a series of countries committed to sustainable development. I applaud that; and I do not necessarily share the view that closing missions is a bad idea if we can identify countries that seriously committed to sustainable development.

The tragedy of Africa and U.S. aid to Africa in the last decade is that the four major recipients of U.S. aid were in the 1980's, Zaire, Liberia, Sudan and Somalia. And even though I do not think any one can claim that we achieved anything remotely approaching development in any of those countries, the amounts of money was really substantial.

Mr. LANTOS. Yes, Ms. Bartz.

Ms. BARTZ. I would like to add that a majority of those who have served as Peace Corps volunteers served in Africa and they share Mr. Faleomavaega's concern that the distribution of aid resources is not equitable. We will be speaking up more frequently and having our members speak up more forcefully and more often so that we can get that redistribution, so that Africa, and Latin America and the parts of the world where we have served are not forgotten.

Mr. LANTOS. Yes, Mr. Maguire.

Mr. MAGUIRE. Just a very brief comment to the Congressman. At the risk of being too parochial here, I would like him to know that Appropriate Technology International is doing what I think are truly amazing things in Africa with very small amounts of money. And I will be happy to talk with him further about that.

Mr. LANTOS. Very good. We appreciate this.

Mr. FALEOMAVAEGA. My colleagues have additional—I do have one more question, if I may.

Mr. LANTOS. All right. Can we go to Mr. Payne now and then come back to—then Ms. McKinney and then come back to you?

Mr. PAYNE. Thank you. I would ask unanimous consent to have a statement by Chairman Harry Johnston put in the record.

Mr. LANTOS. Without objection, it will be so entered.

[The prepared statement of Mr. Johnston appears in the appendix.]

Mr. PAYNE. Thank you. Dealing primarily with the DFA. I would also like to say that I am disturbed at the fact that the administration is recommending that the Development Fund for Africa be taken out of the present way in which it is funded and moved into not being designated. I will get into it later.

And I have missed most of the testimony, but I would just like to comment on the aid that was mentioned here, the four countries: Somalia, Zaire, Liberia and the Sudan so-called development funds. I think that it is unfortunate that during the past 40 years, that our foreign policy has been driven by basically one issue, to defeat communism in Africa, anyway, and that the wars were fought there.

And when you take Somalia, where we built one of our largest embassies, because Barre, a brutal dictator, said he did not like communism; or Mobutu, one of the biggest thieves in the world, said he was against communism; then Sgt. Doe, who killed the

President, and the first family and the cabinet, said he opposed communism, too—I do not know how Sudan got in there—but it makes no sense that we just had one reason for our foreign policy. It had nothing to do with governance, had nothing to do with democracy, had nothing to do with rights. We have supported, as you have indicated, four of the worst governments in the continent.

And so, I think we need to review our flawed policy in the past, especially with the Somalia, Zaire and Liberia situation.

Mr. LANTOS. Ms. McKinney.

MICROENTERPRISE PROVISIONS IMPACT ON WOMEN

Ms. MCKINNEY. Thank you, Mr. Chairman. I would like to ask Ms. Taft what her views are of the microenterprise provisions in the loan and how you think they will impact women?

Ms. TAFT. Thank you, very much for asking that. Because I ran out of time in my introductory remarks, I did not orally comment on microenterprise. However, in the formal statement, there is a reflection of microenterprise. We think that the language we developed with this committee last year is much, much better because it does get to the very poorest of the poor and to women. We do have specific recommendations for redrafting the microenterprise section of the draft bill we are considering today.

It is not enough to have access to formal credit—the banks and other major credit mechanisms. We really believe there needs to be something very specifically set aside in a central fund for microenterprise; not necessarily an earmark, but a fund which can set a priority of lending to the poor and women.

Ms. MCKINNEY. If that specific language is not in your testimony, I would like to work with you to get it.

Ms. TAFT. Delighted to. Thank you.

Mr. LANTOS. Mr. Faleomavaega, would you like to raise?

Mr. FALEOMAVAEGA. No.

Mr. GILMAN. Just one or two more questions.

Mr. LANTOS. Congressman Gilman.

EXPANDING THE DEMOCRACY PROGRAM IN AID

Mr. GILMAN. Ms. Taft, I am pleased you focused on microenterprise, something that a number of us have been working on for a number of years and we welcome your suggestions of how that could be improved.

For a number of years, as you know, we have been battling with our State Department and AID people to truly make it microenterprise and not the major projects that they continually focus on. So, again, we welcome your thoughts.

It has been suggested that before we adopt legislation expanding the democracy program in AID, it might make more sense to review all of the government's programs related to democracy, such as the National Endowment for Democracy, which is now 10 years old, in order to provide some institutional coherence. Given that real depth of expertise in the areas of democracy that are outside of AID, doesn't that approach seem to make more sense, instead of trying to incorporate it into the AID area? I welcome any comment.

Dr. Bissell.

Mr. BISSELL. I think the whole area of democracy and governance is characteristic of several issue areas in the draft bill. It pops up in several different places, as opposed to being given a clearly coherent center and organizing principle.

Now, I think all of us understand why that is: the historical origins of different programs are in different institutions. We have had many private sector efforts in the National Democratic Institute, International Institute, the Republican Institute, the National Endowment for Democracy, as well as the administration of justice programs in AID and so forth. The fact is that at a certain point in time, we need to give that kind of program some coherence so that we do not have the right-hand, left-hand problem going on in U.S.-funded official programs or even unofficial programs with U.S. money operating in developing countries.

It starts to confuse everyone after a while. While we can chart the successes of certain programs, but it will require more coherence in the authorizing legislation or a clear signal from the administration so that we are not dealing with lots of different little pieces, but rather it adds up to something that will make it a better world in which to operate.

Mr. GILMAN. Thank you. Mr. Sewell.

Mr. SEWELL. Let me just add, Congressman Gilman, one point; and I think that the committee can legitimately ask the administration to clarify this issue. It is not only the question of coordination or coherence between the various agencies, including, by the way, DOD, it is also a question of the coherence of programs. And that is where the language and the Democracy title, it seems to me, is particularly weak and contrasts very strikingly with the language under sustainable development, which is very detailed. This is because there is a great deal known about promoting sustainable development, even if we disagree on relative priorities.

For instance, there is an assumption in the bill that all of these things go together and they are always complementary. But in reality, unless coordinated, trade policy can come into conflict with democracy promotion; and in particular the policies of the multilateral development institutions are important here. The Fund and the Bank have a direct bearing on what happens in newly democratic states, as we see in the Soviet Union at the moment. Therefore, what is done about improving the trading system or enabling countries that have access to capital markets, may be just as important in promoting democracy as what is done in monitoring elections. And there is no reflection of that anywhere in the bill.

Mr. GILMAN. Thank you. Mr. Maguire.

Mr. MAGUIRE. Could I just add the additional observation that sustainable development needs to be understood, not only as an economic development strategy, but as a strategy for building civil society and democratic institutions. Our democracy programs should not be focusing on, you know, electoral methods and legal reforms only. And I hope the bill would understand that this is as true for moving out of subsistence or sub-subsistence economies in individual African countries, or parts of them, as it is true for the reconstruction of economic life in the Newly Independent States.

This is a terribly important nexus that needs to be more clearly articulated. It needs to be understood that the Development Fund

for Africa, or the InterAmerican Foundation, or Appropriate Technology International, or whatever the intermediaries are, are as important to the accomplishment of the objectives of democratic development in the world, as they are to the accomplishment of economic development objectives.

Mr. GILMAN. Thank you. And just one more question, Mr. Chairman. Dr. Bissell, do you have similar concerns about AID's managing the sustainable development programs, as you expressed, with regard to the State Department's management?

Mr. BISSELL. My concern, in that regard, focuses upon the essentially long-term nature of sustainable development, and that needs to be clearly reflected. It is not understood how it would be managed within the State Department, which does not have a long history of managing well those kinds of long-term programs. The alternative would be to ensure that AID is not merged into the State Department.

AID'S MANAGEMENT OF SUSTAINABLE DEVELOPMENT

Mr. GILMAN. What about AID's effective management of sustainable development?

Mr. BISSELL. AID has some excellent people. Much of the policy guidelines within the Sustainable Development title here are first rate. They are a reflection of a lot of experience and time invested in terms of trying these programs over recent years, where you have to bring together different issues in difficult environments in developing countries. AID, itself, I think, has that kind of expertise to begin to make sense out of those kind of policy recommendations in the language.

Mr. GILMAN. I thank our—yes, Mr. Maguire.

Mr. MAGUIRE. Yes. Congressman, I have a somewhat contrary view on this, and I think it might be worthwhile just to lay it out. And I speak as one who has served both in the State Department and now someone who is active in development assistance.

John Sewell posed the two options earlier when he said either sustainable development needs to capture the State Department or it needs to be independent to safeguard the long-term concerns that both he and Richard Bissell and others have spoken to. If I had my druthers, my preference would be for the Department of State to become as concerned about economic development issues as it is concerned about political crises.

Going forward, unless the major institution that represents our Government at the highest levels with all of the other governments in the world and the multilateral institutions in the world becomes focused on the economic and development aspects of what has to be done in this new world to truly make a new world in the next few decades, I am afraid we are going to fall very short. AID, itself, is too small an institution. Its funding is too meager. It is under too much assault. It has too much total rebuilding to do before it can again be an effective institution. It really is not adequate enough to rely on going forward.

And I recognize that I am asking for an ideal here, which is probably unattainable, at least in the short run. But until we do some serious thinking about how to reconstruct the way the State Department thinks about the world, the way people who go into the

State Department are trained, the kinds of skills that they bring to the point where development, and specifically sustainable development, is high on the list of things that people in the State Department and in our embassies around the world are paying attention to each and every day, we are in serious, serious trouble, in my view.

So even if we cannot do it now, and we cannot do it with one administration, with this leadership, we ought, I think, as long-term thinkers to be thinking about how the culture, the orientation, the mission, and the strategies of the State Department can be completely rebuilt so that it is prepared to conduct business in this world in relation to the longer-term problems and opportunities that the world faces.

Mr. GILMAN. Thank you, Mr. Maguire.

Mr. MAGUIRE. At which point, I would be very happy for AID to be a part of the State Department, just to complete the thought.

Mr. GILMAN. I want to thank our panelists, and we hope you will not just limit your responses and your suggestions to this hearing today. As we get into the reform measure in the next few weeks, we certainly would welcome a continuing effort on your part. Thank you, very much.

Mr. LANTOS. I want to extend the appreciation of all of us to the full panel. I need to react to your last observation, Mr. Maguire, which I may have misunderstood. But you said that if you don't get it under this leadership, maybe you will get it under another leadership, is that basically what you said?

Mr. MAGUIRE. No. I am saying that the problem of how to rebuild the State Department so that it is working effectively on all of the issues that face us in our international relationships and in our bilateral relationships is a long-term task, and that I do not see it being accomplished very soon. Most of the world is focusing on development and not on the sorts of things that many State Department people spend most of their time doing. I do not see us moving strongly in that direction under current leadership. I do not know when it is going to happen. I am just saying I think it has to happen at some point in time and that we need to be thinking about how to push that process forward.

Mr. LANTOS. Let me take a contrary view to what you are saying. Because having taught the economics of development for more years than I care to recall, I am fully conscious of the importance of economic development. Let me indicate, however, that this sort of single-minded emphasis on development, I think, misses some major developments during the 20th century, which had much less to do with economic development than with the profound educational shortcomings of totalitarian societies. Germany was very well developed in a sustained fashion, and it precipitated, in a large measure, the Second World War.

I think it is very important, however passionate we are about our own causes, not to denigrate or diminish the importance of others. I would argue that nuclear—that proliferation of nuclear weapons, chemical weapons, biological weapons is at least as important a priority in the scheme of things that this world has to face. I think the upsurge of ethnic hatred, as demonstrated in the former Yugoslavia and other areas, is equally obvious. Yugoslavia was the most

developed of the Balkan countries for decades. It was in a different universe in terms of its economic development, compared to all of the countries around it; all of the countries around it. And it now, a living hell.

So, I think it is important while emphasizing development, to recognize that that is one avenue of moving ahead toward what we hope is a more civilized world. But, I think that members of the State Department or the administration, whose prime concern is the prevention of nuclear proliferation or the proliferation of other weapons of mass destruction, are no less valuable in their efforts. People who are committed to the concept of human rights are no less valuable in their efforts than people who are working on development.

And I think it is important to remember which campaigning for the particular issue that we are seized with, that we pay equally respectful attention to concerns and causes and issues that others deal with.

Mr. MAGUIRE. Mr. Chairman, I do hope you will allow me a brief comment.

Mr. LANTOS. I would be delighted.

Mr. MAGUIRE. I have worked myself in all of those areas professionally over a period of time, both inside and outside the government, and I emphatically agree with you.

Mr. LANTOS. I appreciate that.

Mr. MAGUIRE. I was suggesting that development needs to become, along with these other items, a very important concern of the Department of State, strategically going forward, and of its people around the world. And I do not think that is the case at the present time.

Mr. LANTOS. I fully agree with that. Let me thank, again, all of you on behalf of all of us.

We have a second panel. If I may ask them to take their seats. Mr. David Beckmann, Bread for the World; Mr. Albert Barclay, Professional Services Council Chairman, International Development Task Force; Mr. Thomas Getman, World Vision Relief and Development, Inc.; Vivian Derryck, African American Institute; and David Sammons of Purdue University.

I want to thank all of you for coming. Before calling on our first witness, the Chair would like to enter into the record the testimony of our distinguished former colleague, the Honorable Donald Fraser, presently at the Kennedy School of Government, who called me this morning advising that his plane is stuck in Boston and could not be with us. We all miss Don Fraser's wisdom and hope to have him next time.

[The prepared statement of Mr. Fraser appears in the appendix.]

We will begin with you, Mr. Beckmann. You are president of Bread for the World. Your prepared statement will be entered in the record. You may proceed as you choose.

PANEL II

STATEMENT OF DAVID BECKMANN, PRESIDENT, BREAD FOR THE WORLD

Mr. BECKMANN. I would like to thank this committee for all that you have done over a period of years to get a reform in the U.S. foreign assistance program and I look forward to working with you this year to, in fact, get a revamping of foreign aid for the post-cold war world.

The main point I want to make in my oral remarks is that many Americans support foreign aid that promotes sustainable development, especially reducing hunger and poverty in environmentally sound ways. Bread for the World has worked over the past year to support the Many Neighbors, One Earth resolution. That resolution has not 160 cosponsors in the House, including 29 members of this committee.

The resolution called on the President to submit authorization legislation that would make sustainable development, especially reducing hunger and poverty in environmentally sound ways the leading purpose of U.S. foreign assistance, and also called for the President to submit budget recommendations that would shift about \$700 million in additional funding to sustainable development programs.

We estimate the Bread for the World members around the country sent about 90,000 letters to their own members of Congress urging cosponsorship of the resolution. Maybe 1,000 churches across the country took time on a Sunday morning to talk in church or in Bible class about foreign aid reform, and to ask their people in church to write to their Senators or Representatives to support the work of this committee to get a better foreign aid program, a foreign aid program that will do more to reduce hunger and poverty around the world.

Bread for the World worked together in this campaign with a very diverse group of organizations, I think that is really important: hunger and humanitarian organizations, development organizations, environment organizations, population and human rights organizations. So that today, many of these organizations across a wide spectrum of concerns know that we cannot get what we need and what we want without working together. There is no way to reduce population growth in poor countries without reducing poverty. There is no way to protect rain forests in many countries without improvements in social justice. And those of us who are primarily concerned about hunger and poverty know that what we need is sustained gains in productivity, environmental sustainability and also democratic participation.

There is a large constituency to reduce hunger. Americans give about \$2½ billion a year in private money to help overseas. All of the polls show that Americans, when they are asked, "do you want to do everything we can to reduce hunger"; they say, yes. When they are asked, "do you support foreign aid"; they say, no. And so the purpose of this committee, what you have a chance to do is to correct that disconnect and to craft a foreign aid program that will respond to the real concerns of the American people.

[The prepared statement of Mr. Beckmann appears in the appendix.]

Mr. LANTOS. Thank you, very much, Mr. Beckmann. Mr. Barclay, Professional Services Council Chairman of the International Development Task Force.

STATEMENT OF ALBERT BARCLAY, PROFESSIONAL SERVICES COUNCIL CHAIRMAN, INTERNATIONAL DEVELOPMENT TASK FORCE

Mr. BARCLAY. Mr. Chairman, members of the committee, thank you for this opportunity to comment on the act.

As chairman of the Professional Services Council Task Force on International Development, I represent a group of 38 private firms which provide technical, analytical and management services to the U.S. foreign assistance program. In a personal capacity, I lead an employee-owned firm, which has 240 staff serving around the world, and a 24-year record of working closely with developing country institutions, AID and other international agencies.

Our members are delighted that the administration has come forward with new legislation. We value the efforts of the other panelists who have testified this morning to shape the bill. I will focus my comments on the two concerns which new authorizing legislation must address under titles I through IV, for which AID is the primary implementing agency.

Does the new bill state clear objectives for addressing critical problems that are of serious concern to the American people? Second, does the new bill demonstrate that foreign assistance will be more effective in meeting its stated objectives?

We are in full accord with the broad purposes stated in the act. Our principle concern is the lack of specifics in the Sustainable Development title. The section on broad-based economic growth, for example, makes no mention of the indigenous private sector's role in economic growth; of the importance of agriculture in the livelihoods of most poor people, particularly women; or the complex issues affecting land use and natural resource management in peri-urban areas and fragile semi-arid lands.

The flexibility in the bill is good, in so far as it reflects the intent of the Congress to unburden AID from earmarks and supply-driven programming. On the other hand, with this open-ended language, the bill does not indicate how AID will make inevitable hard choices for deploying limited resources. AID has begun to close the gap with its strategy papers and operational guidelines. But these two remain very general. Our members are ready to assist in sharpening the focus of programs for sustainable development and the other titles of the act.

On the second point, does the bill help AID to become a government agency that works better and costs less? We believe it should. Yet, the authorizing legislation does not show even the silhouette of a reinvented agency. It does not accurately reflect how AID gets its work done now or how it will in the future. And here, I would emphasize that over the past two decades, AID has evolved from a direct provider of assistance into what we might call a wholesaler of development resources. It relies on a wide range of institutions—professional services firms, universities, PVO's and NGO's—to

interact directly with its ultimate customers who are people and institutions in developing countries.

As the retailers in the system, these institutions tap the talent and commitment of American citizens, both career professionals and volunteers, to develop and carry out AID's mission. Successful relationship with the suppliers based on a partnership and shared commitment to develop and outcomes are indispensable for AID's effectiveness. Under current practice, however, AID has had a pattern of managing primarily for compliance with its extensive home-grown regulations, rather than results. This has eroded confidence and trust. It has also raised cost and lowered efficiency levels among its own work force, and among its many grantees and contractors.

Clearly, a new management paradigm is needed, which will empower the agency and its employees to concentrate on substance and provide incentives, both for accountability and excellent performance from all types of suppliers.

Mr. Chairman, I am not here to make a special plea for professional services firms at the expense of anyone else. I would emphasize AID needs goodwill, long-term commitment and high performance levels from all its suppliers. Under the new legislation, the agency should be encouraged to promote collaboration and teamwork among universities, service firms and nonprofit institutions. Here it can draw on successful models, such as the GEMINI project for microenterprise, which combines the resources of two consulting firms, four PVO's and a major U.S. university under a single contract.

To summarize, we believe the following win-win principles should be reflected in the bill: one, maintain a level playing field for all types of suppliers; two, create incentives for all of AID's partners in the development community to collaborate across institutional lines; three, join the Office of Federal Procurement Policy and other Federal agencies which are pioneering new standards that emphasize performance; four, after contracts and grants are awarded, empower your suppliers to achieve high standards by streamlining requirements for compliance reporting.

I would like to close with a brief comment on title V as it affects the Trade and Development Agency. In practice, this agency has confined its support to studies for industrial and infrastructure projects, and as Ms. Bramble pointed out, frequently leaves out important parts of environmental impact analysis. At the multilateral development banks, the system denies use of trust funds to American firms which are in the business of supplying economic, financial, educational and information system services.

We would like to see more explicit language in title V according equal treatment to services exports, as well as capital goods. This would enable TDA to modify its traditional practice and tap the services sector, which generates a positive trade balance for the United States and represents the fastest growing element of our country's exports.

Thank you, very much.

[The prepared statement of Mr. Barclay appears in the appendix.]

Mr. LANTOS. Thank you, very much, Mr. Barclay. Next witness is Thomas Getman of World Vision Relief and Development.

STATEMENT OF THOMAS GETMAN, WORLD VISION RELIEF AND DEVELOPMENT, INC., DIRECTOR OF GOVERNMENT RELATIONS

Mr. GETMAN. Thank you, Mr. Chairman, for this opportunity to testify. And may I just summarize by saying that sustainable development can be served well by including better mechanisms for managing complex disasters, including a separate authorization for the Development Fund for Africa.

World Vision, along with our colleagues, our operational colleagues in the field, in places like Zaire and Angola, have served under withering fire recently and almost all of us have lost staff people. This reform bill, however, is not likely to affect only our vulnerable staff personnel, but millions of clients as well. Our efforts to deliver resettlement and emergency assistance in places like Zaire provide a backdrop for the decisions you are going to be making. Stronger reform language is needed to move us out of a reactive era of operating in a crisis mode, too late to save lives and infrastructure.

Presently, we seem paralyzed to face complex disasters in advance. Congress recognized last year the necessity to incorporate rehabilitation in a disaster response. Yet, we believe that Congress, in this bill, needs to go further.

Bridging the gap between relief and development is a major component of the newly created Office of Transition Initiatives at AID. Because of this important role, the new office could be recognized in the authorizing legislation for this program under Title II in Chapter I. Our joint OFDA/World Vision \$4.1 million distribution program of food, shelter, seeds and tools in Zaire is an essential but sorry pittance against the suffering, once again being borne mostly by women and children. We have known about the fragility of Zaire and its abusive government for so long, yet we could not get ahead of this killing game. And now our answer is to punish the government the United States propped up by closing the AID mission, with the result that the innocent populace will suffer.

The country plan process of AID must somehow be maintained even when missions are closed. But further, we from the operational side of the house suggest that the purposes of this reform bill revolve around how to meet such challenges that face the world in this post-cold war era. The chaos and instability in places like Zaire, Bosnia, Haiti, and even Palestine, drive us to assert that our efforts together must be to diminish ethnic conflicts and regional hatreds as early as possible. That is why we must embrace in the language of the Reauthorization Bill a deeper understanding, or rather new appreciation for, the purposes, indeed the potential power of foreign aid.

World Vision endorses the astute recommendations that our colleague, Julia Taft, has outlined and we thank you for the collaborative way that the committee and NGO's have been working together on this. We believe it is a grave oversight, however, to neglect the importance of people-to-people programs in the delivery of U.S. humanitarian assistance, much of which has taken the form

of emergency P.L. 480 food programs. In our view, the Foreign Aid bill should affirm early and often the critical role of PVO's and NGO's as full partners in the foreign assistance enterprise.

Even the prophets of old said, "The Lord uses his people to exercise kindness, justice and righteousness on earth." Therefore, we want to plead for the reaffirmation of USAID's role of leadership in the disaster response and development continuum in helping us to work together for kindness and justice, and not leaving us alone in places without their country plans and leadership. We recognize that we cannot work solely in an independent fashion taking sub-sections of the need without integration.

Time and again, the country plan's coming to life in individual villages is assured through USAID's vision, and the facilitation of our AID colleagues. Therefore, the U.S. presence in these matters often sets the agenda for the development assistance of other bilateral donors and should continue to somehow operate even in "no mission" countries.

Finally, World Vision advocates ensuring U.S. foreign aid programs are never misused again as they were during the cold war in Somalia and Zaire. We believe this danger can be lessened through the inclusion of guiding principles for all humanitarian assistance. A statement of humanitarian principles in the authorizing legislation on the humanitarian assistance could help to advance the age old dream of the prophets and the hopeful vision of those in the relief and development community.

Thank you, very much.

[The prepared statement of Mr. Getman appears in the appendix.]

Mr. LANTOS. Thank you, Mr. Getman. Our next witness is Vivian Derryck of the African-American Institute.

STATEMENT OF VIVIAN DERRYCK, PRESIDENT, AFRICAN-AMERICAN INSTITUTE

Ms. DERRYCK. Thank you, sir. We really appreciate the opportunity to testify today. I do, because—

Mr. LANTOS. Would you be so kind, pull the mike closer to you.

Ms. DERRYCK. Thank you, Congressman. We really appreciate the opportunity to testify today because this legislation is a landmark. It is important not only for us, but for other overseas donors and for our development partners in the Third World—or the two-thirds world.

I have written testimony which amplifies my organization's concerns and recommendations. Here, I would just like to stress a few points. In the letter of invitation, we were asked to answer the question: is foreign assistance in the United States' national interest? The answer is an emphatic yes. It is important in terms of security and strategic interest; it is important in terms of our moral ethical interest; and it is important in terms of our economic interest.

In my written testimony, I talked about the different context in which foreign assistance will be provided, and I have also offered some guidelines. I think we have to rethink categories and strategies because we have an expanded population of potential target beneficiaries.

But, I really want to just make three points today. First, it is important that the developing world and this expanded world that is eligible for U.S. assistance is not relegated to a peripheral role in foreign policy and in foreign assistance policy. And those two, foreign assistance policy and foreign policy, need to be reintegrated.

We marginalize the Third World at really our own peril. Brent Scowcroft and Richard Haass, in a piece in the *New York Times* a few weeks ago, said that the United States needs to go back and refocus on first magnitude issues. I strongly disagree with that because the second magnitude issues will eventually reach first magnitude proportions. We have nothing to do but look at Somalia, and the reaction in Haiti, in which thugs said, "You're going to have another Somalia here," to see which has impacted our reaction in Bosnia, and that brings us right back to NATO, and a first magnitude issue.

The second point that I would like to make is that the United States, in this revised, renewed, reassessed foreign assistance, should really promote our comparative advantages. And there is one in the sustainable development section that I do not think that we fully appreciate or exploit in the positive sense, and that is our investment and our comparative advantage in higher education, in human resource development at large.

We have a similar comparative advantage in Title II in Democratization, and that is in fostering civil societies through multiethnic pluralism. The United States is the only country on Earth that has made a concerted effort to integrate disparate populations. We are a meritocracy. We should be able to offer that kind of assistance to persons in the developing world, and particularly in Eastern Europe. It is a special advantage that we have. The United States also has a comparative advantage in women and the way that we have integrated them into our political and economic lives.

Thirdly, the legislation is very deficient in not providing an authorization for the Development Fund for Africa. This is clearly the continent of greatest need. We send a very negative signal to the donor community that Africa is not a priority. And, you know, Africans have made changes at very great personal risks, and they have done that with the understanding that U.S. aid would be forthcoming if they made the changes that we and other donors advocated. To abandon them now by not having an authorization, again, sends a very negative note. Moreover, with an authorization, we expand the constituency that cares about foreign policy. And as many of the other previous witnesses have testified, there certainly is not a large constituency for foreign affairs, so we need to make sure that we expand it wherever we can. An authorization for the DFA would be, again, a positive signal of our commitment to development, to traditional development needs.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Derryck appears in the appendix.]

Mr. LANTOS. Thank you, very much, Ms. Derryck, for an excellent statement; very thoughtful and insightful.

Our final witness is Mr. David Sammons of Purdue University, associate dean and director of international programs in agriculture.

STATEMENT OF DAVID SAMMONS, ASSOCIATE DEAN AND DIRECTOR OF INTERNATIONAL PROGRAMS IN AGRICULTURE, PURDUE UNIVERSITY

Mr. SAMMONS. Good morning. I appreciate the opportunity to speak to this committee today in my capacity as associate dean of the School of Agriculture at Purdue, which is Indiana's land grant university. I would like to speak to these important issues before us from that particular perspective.

As partners with the U.S. Government, higher education in the United States has long been engaged in a range of activities that contribute to economic stability, sustainable development and democratization around the world. We have committed resources, energy and time to development assistance for nearly four decades because we believe that these efforts complement our institutional missions and responsibilities, which more and more are assuming global dimensions.

It seems to us that higher education can and should be viewed as the glue that holds development assistance together. We have the resident knowledge and expertise, the necessary human resources and the long-term institutional commitment requisite to assist and propel the development assistance process into the future. We stand ready both to lead and to nourish this process, but note that success will require long-term commitment by all of us.

Our international activities have spanned the multiple dimensions of the land grant university system: activities in teaching, research and public service. In each of these areas of responsibility, we have engaged in scholarly efforts to cut across geographic boundaries and that leaves a permanent imprint on the lives of people. This, in fact, is the business of higher education and is also the nature of development, to touch lives in ways that will increase human capacity, permitting human aspirations to be fulfilled in productive, creative and responsible ways.

Our teaching expertise has made enormous contributions to the development of human capacity around the world. Education provides the essential intellectual underpinning for development and it has additional benefits to the U.S. studies, for example, have repeatedly demonstrated that many of the international students who graduate from U.S. colleges and universities end up in leadership positions in their home nations. The fact that these individuals were trained in the United States inevitably contributes to future positive relationships with our Nation. Support for international education and training must remain a cornerstone in development assistance efforts.

In addition to teaching, the academic mission is also committed to research and discovery. Knowledge knows no boundaries. As an example of this, I call particular attention to the USAID-funded Collaborative Research Support Programs, or CRSP's. Land grant universities have been major participants in these programs since their inception in 1975. The CRSP's have contributed to the development of sustainable and environmentally responsible solutions to global agricultural problems, and have also resulted in significant gains for the United States.

For example, a recent economic analysis of the Sorghum/Miller CRSP concluded that this single program has resulted in \$364 mil-

lion in savings to U.S. taxpayers as a result of government program cost reductions. The CRSP's are among the most successful long-term international activities in which USAID has ever invested, and total cost have been modest. Related collaborative research, which has permitted university faculty to work with the international agricultural research centers and national agricultural programs in developing nations, has had similar global benefits. These programs should be viewed as a whole.

The participation of U.S. universities in international development assistance activities has also been a natural part of the service and outreach mission inherent to American higher education. Outreach activities have assisted some nations in their achievement of a new level of economic independence and human dignity.

Of note in this regard is the University Development Linkages Program, another relatively low-cost USAID program with tremendous benefits to both partners in the relationship. Because of the matching and requirement of the program, the UDLP has benefited from nearly \$2 of university resources for every \$1 of USAID assistance, and has resulted in numerous development innovations.

In conclusion, then, the answer to your questions, Mr. Chairman, is that foreign aid is in the national interest because it is good for the United States, as so many of the panelists have said. Foreign aid has been good for the country in part because U.S. higher education has been able to catalyze relatively modest resources available for development assistance into tangible benefits, both for the U.S. economy and most importantly in the service of the needs of human beings around the world.

Thank you.

[The prepared statement of Mr. Sammons appears in the appendix.]

Mr. LANTOS. Thank you, very much, Mr. Sammons, and indeed thanks to all of you. We will begin the questioning with Congressman Payne.

Mr. PAYNE. Yes, thank you, very much. There is a debate that is going on and you mentioned, Dr. Sammons, as to whether higher education be conducted by bringing foreign students here to the U.S.A. or whether the money can be better spent by providing the education through local colleges and universities in those particular developing countries. What would be your position on that?

Mr. SAMMONS. Our interest would be, I would say, in both dimensions of what you ask. There are institutions of higher learning in developing countries around the world, as you noted, are marked by great excellence. And in those instances, those universities, which in some cases have been built up through U.S. assistance, should be the institutions that are providing the training necessary to help build nations in which those institutions are resident.

In other parts of the world where such educational opportunities are not available, we, in the United States, stand ready to offer assistance by way of training foreign students in our own institutions, with an eye toward their returning to their home countries. So, I would say it would have to be determined on a case-by-case basis.

Mr. PAYNE. Does anyone else have any ideas on the subject?

[No response.]

Mr. PAYNE. OK, Ms. Derryck, you mentioned the four points that you feel are foreign policy, and that we ought to look at the rationale. And you—of course, the first is very clear, that we should certainly reaffirm the foreign assistance policies and they are part of foreign policy. When we get, though, to your areas of new categories in expanding, how would you go about trying to quantify the priorities? That seems to be one of the problems that we are having, and if you have some thought on how we could devise a better system.

Let me say that I think our system in the past was very simple and there was no problem with our Government determining where foreign assistance in Africa should go. It was simply if you did not like communism, that is what I said before. I think even our policy in South Africa of constructive engagement for many years was because South Africa opposed communism. And we should almost look the other way, as the four countries that were mentioned, Somalia, Zaire, Liberia and we can go on to others, that the driving force in Angola with—and Mozambique, the support of the RENAMO and UNITA, all was based on their opposition, basically to the Soviet threat.

It is a little more different now since that threat is gone. But a lot of damage has been done by virtue of having that as the sole determinant—basically the sole determinant. Do you have some views on how we can have a more rational policy?

Ms. DERRYCK. Thank you, Congressman. I begin by thinking about different categories in which now we are offering assistance. There are those countries that are getting relief because of civil conflict and civil war. There are those countries, particularly in Eastern Europe, that really need technical assistance. They have high literacy and they do not have some of the other human development problems that we see in traditional developing countries. And then there are those traditional developing countries—in Africa, some in Asia, certainly less in this hemisphere—that need the four aid priorities, plus the fifth priority that I think is so important, which is human resource development.

But when you think about the way that we have traditionally determined who was going to get what, when and where, the way we divided the aid pie is no longer relevant. So, it is important that the various geographic regions get together, and that there are some new criteria that are determined.

You can take the example of oil. When you think about Angola and you think about Kazakstan, both are in need of assistance, but certainly very, very different forms of assistance are needed to maximize both their economic potential and to make sure that we stick to our own national interest, the driving factor behind our foreign assistance.

Mr. PAYNE. Thank you. Yes.

Mr. BECKMANN. If I may, I would like to just add a couple of thoughts about how the committee might address the problem of establishing priorities among the categories, among the titles of the legislation.

The one point that was made repeatedly in the first panel is the need to apply the sustainable development criteria to the other categories, to have that as a policy and a mechanism, and also evalua-

tion. The other titles do not have any evaluation mechanism in place. So, you have—you will have a very well scrutinized sustainable development program, and the rest, God knows where it goes and what it gets done.

And then the other point is just the committee needs to find some ways to follow the money, which again was made in the first panel. We support a \$900 million earmark for the DFA. But also, there is this concern that sustainable development generally is a shrinking part of the pie and very little money. I am not sure what the proper way to address that role, but this committee does have a role in making sure that money allocations broadly reflect policy priorities.

Mr. PAYNE. Thank you, Mr. Chairman.

Mr. LANTOS. Well, on behalf of the committee, may I thank all five of you. Chairman Hamilton asked me to extend his apology to all of you. He is tied up in the Rules Committee. He would have liked to have been here.

You have been of great value in our deliberations and we look forward to additional appearances by all of you. This hearing is adjourned.

[Whereupon, at 11:42 a.m., the committee was adjourned.]

CONSIDERATION OF THE COMMITTEE'S VIEWS AND ESTIMATES REPORT TO THE HOUSE BUDGET COMMITTEE ON THE PRESIDENT'S FISCAL YEAR 1995 INTER- NATIONAL AFFAIRS (150) BUDGET FUNC- TION

WEDNESDAY, FEBRUARY 23, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to call, at 2 p.m., in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman) presiding.

Chairman HAMILTON. The committee will come to order.

The committee meets today to consider its views and estimates report on the President's fiscal year 1995 requests for the international affairs (150) budget function. The Budget Act requires that all legislative committees report to the House Budget Committee within 6 weeks of submission of the budget on its views on the President's request.

The Budget Committee, in order to facilitate consideration of the budget resolution, has set a deadline of this Friday, February 25, for submission of committee reports.

Members have before them a chart prepared by the administration which compares the fiscal year 1995 request with the fiscal year 1994 levels for the 150 function. This budget is different than previous requests for the 150 function. The traditional categories of assistance which are authorized by the committee such as development assistance, economic support fund assistance, and foreign military financing have been deleted from the request.

Those line-items have been replaced with categories of assistance which are directed at achieving specific objectives such as promoting peace and building democracy. This budget request mirrors the administration's request for a rewrite of the Foreign Assistance Act, which the committee will be considering later this spring. Because of this change in format, it is very difficult to accurately compare this year's request to last year's actual levels.

It is my understanding that the Congressional Budget Office's reestimate of the 150 budget will not be available for some time. Because of this problem, it would be my intention to recommend to the Budget Committee that it assume the aggregate amount re-

requested by the President for the 150 function without making recommendations on specific items under that function.

Foreign assistance, of course, continues to be an important foreign policy tool for the United States. The need for foreign assistance may even be stronger now than at times in the past.

At this stage in the budget process, I believe the President's request of \$20.681 billion for the 150 function represents the amounts necessary to carry out U.S. foreign policy. This figure is a ceiling. It will not control actions that may be taken by Congress to adjust levels after consideration of the Budget Resolution.

The President's request addresses several important areas. It includes adequate levels for assistance to Eastern Europe and the former Soviet Union, it contains economic and security assistance for Egypt and Israel, as well as economic assistance for the West Bank and Gaza. This assistance will be key to maintaining and strengthening the environment for further progress in the Middle East peace talks. With respect to the developing world, the executive branch request allows the United States to assist countries, especially in Africa, to become more self-sustaining and to address problems that will negatively impact on their economic growth.

It provides funds to help meet U.S. treaty commitments to the United Nations, and to support vital peacekeeping operations in the Middle East, Africa, and other areas in which the United States has important policy interests. In some respects, the President's request may be inadequate to meet U.S. treaty obligations to the United Nations and the international financial institutions; U.S. arrears, for example, to the multilateral development banks now total \$819 million. The United States is also facing \$1 billion shortfall in its U.N. peacekeeping assessments. The request level does not address those problems.

Finally, I would point out that recommending approval of the President's overall 150 budget request does not imply approval of the levels requested for every line-item. I know that some members may disagree with certain elements of the budget. We will address these concerns as we proceed to markup the foreign aid bill in the coming weeks.

Today we concern ourselves only with the recommendation on the aggregate amount requested for carrying out U.S. foreign policy interests. I, thus, suggest that the committee recommend that the Budget Committee assure the President's request level for the 150 budget of \$20.8 billion for purposes of the Budget Resolution.

The Chair now recognizes the ranking minority member, Mr. Gilman, for his comments.

Mr. GILMAN. Thank you, Mr. Chairman.

On behalf of the minority, I would like to commend you for convening the committee to report its recommendations on the President's request for international affairs, the 150 budget function for fiscal year 1995. In my mind, it is important for the committee to meet formally so that our members can present for the record their views on the President's request.

Mr. Chairman, I regret to say I cannot support the President's fiscal year 1995 budget request. As you know, the Clinton administration has just recently submitted its proposal for foreign aid reform legislation. The fiscal year 1995 budget request has been re-

structured to comply with the new categories contained in its proposal.

Unfortunately, the budget information provided to the committee to date is incomplete and does not afford members the ability to relate the new categories with the programs that we have authorized in the past. As a result of this sketchy information, compounded by the lack of congressional presentation documents, it is difficult and impossible in some cases to compare fiscal year 1994 and fiscal year 1995 budget authority figures for key programs in our committee's jurisdiction.

Mr. Chairman, there are some areas where the intent of the budget request is clear. One is in maintenance of a high level of assistance for Russia and the other independent states of the former Soviet Union. I do have some reservations about maintaining such a high level when it is unclear how committed the Russians are toward necessary economic reform.

I also question the wisdom of the level, given the slow obligation rate for previously appropriated funds. Another area of concern, Mr. Chairman, is the continued high level of operating expenses in both the Department of State and in AID. I would expect some savings to be generated as a result of the Reinventing of Government efforts being undertaken in those foreign assistance agencies.

You can be sure, Mr. Chairman, that these concerns as well as others will be examined in detail by myself and other members during our consideration of the foreign aid reform in fiscal year 1995 authorization legislation that our committee will be taking up in the next month.

Mr. Chairman, I will be discussing this issue more thoroughly with my Republican colleagues over the next few days. I will then take the opportunity given to us under the Budget Act to submit separate minority views to the Budget Committee. Our minority views will be provided to the committee within the required 3-day period and will also be forwarded directly to Budget Committee Chairman Sabo and Ranking Member Kasich in a separate letter.

Again, I want to reiterate my thanks to you, Mr. Chairman, for providing this opportunity to share our views with you.

Chairman HAMILTON. Thank you, Mr. Gilman.

Any further comment before we proceed?

Mr. SMITH. Mr. Chairman.

Chairman HAMILTON. Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman.

What is the process if a member or members wanted to submit additional views? How does one go about that?

Chairman HAMILTON. I would suggest you do that by letter, Mr. Smith, to the chairman and the ranking minority member of the Budget Committee.

Mr. SMITH. OK. Thank you.

Chairman HAMILTON. Mr. Johnston.

Mr. JOHNSTON. Mr. Chairman, let me, if I can—is this time to make an inquiry with the Chair on your statement, your opening statement?

Chairman HAMILTON. Of course.

Mr. JOHNSTON. A friendly inquiry.

Chairman HAMILTON. Of course. All inquiries to the Chairman are friendly, Mr. Johnston.

Mr. JOHNSTON. It is in the eye of the beholder, Mr. Chairman.

In your opening statement you said that foreign assistance was principally built into building democracy and promoting peace, for those two categories. I note between the two, there has been a reduction of \$1.2 billion. Now, foreign assistance generally runs in the category of about \$14 billion, so you are really taking a symbolic reduction of about 8 percent off the top here.

Tell me then, help me out, Howard.

Chairman HAMILTON. Mr. Berman.

Mr. BERMAN. Yes.

What you have is a defense transfer to AID which is shown here in fiscal year 1994 versus fiscal year 1995, which is shown as a decrease.

Mr. JOHNSTON. Of \$919 million?

Mr. BERMAN. Yes, that is the major part of that, and what is the other part, promoting peace?

Mr. JOHNSTON. Promoting peace has a \$412 million subtraction there.

Mr. BERMAN. \$412, yes. They are assuming the peacekeeping supplemental has passed. It, of course, will not pass. I mean, it has not passed, and therefore—

Mr. JOHNSTON. That was Freudian.

Mr. BERMAN. It should have passed. It is a pity, we should have put it right on the earthquake bill and done it then, but we didn't. And let's say we don't know what is going to happen in terms of future supplementals with that, but if that peacekeeping supplemental does not pass, then we will have to deal with that \$670 million in fiscal year 1995. That is why, it is that one-time transfer from the DOD base and the peacekeeping supplemental that makes it look like there is this cut in those two areas.

Mr. JOHNSTON. One quick observation, Mr. Chairman.

Generally, as an old trial lawyer, the plaintiffs would come in high and the defense attorneys would come in low. If you are saying this is a ceiling, I think we are making a mistake in not coming in with some type of cushion when we go to the Budget Committee. That is my philosophical bent on the thing.

Chairman HAMILTON. I thank the gentleman.

On the gentleman's first point, it might be worth observing that the Congressional Budget Office is going to come in with its reestimate of the 150 account later next week. It will be made available to us, and I think might be responsive to and clarify some of the concerns the gentleman has about specific accounts, and Mr. Berman, of course, serves on the Budget Committee.

Mr. BERMAN. As does Mr. Johnston.

He does, too.

Chairman HAMILTON. Both of you serve on the Budget Committee.

Mr. BERMAN. Yes.

Chairman HAMILTON. Very good.

Any further questions?

If not, it is my intention to recommend to the Budget Committee for the reasons that we have set out here, the concurrent resolution

on the budget assume the full amount of the President's request for budget authority for the 150 function for fiscal year 1995. Mr. Gilman will send a letter setting out the views he has expressed in his statement.

[The letter appears in the appendix.]

Mr. GILMAN. Thank you, Mr. Chairman.

Chairman HAMILTON. Any further question?

If not, the committee stands adjourned.

[Whereupon, at 2:20 p.m., the committee was adjourned.]

FISCAL YEAR 1995 FOREIGN AFFAIRS BUDGET REQUEST AND REWRITE OF THE FOREIGN ASSISTANCE ACT OF 1961

THURSDAY, FEBRUARY 24, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to call, at 10:05 a.m., in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman) presiding.

Chairman HAMILTON. The Foreign Affairs Committee will come to order. Today, we welcome Secretary of State Warren Christopher. Mr. Secretary, it is a great privilege to have you join us this morning to testify on the fiscal year 1995 foreign affairs budget and the administration's legislative request to rewrite the Foreign Assistance Act of 1961. I want to thank you and the administration for carrying through with your commitment to submit a foreign aid reform bill. We still have several areas where we feel the bill needs to be improved, but it is a very worthy initiative. As you know, Congressman Gilman and I have introduced the administration's bill as H.R. 3765.

We are very pleased, indeed, to have you with us. We want to allow as much time as possible for questions, so I will defer any further opening statement and call upon my friend and colleague, Mr. Gilman.

OPENING STATEMENT OF CONGRESSMAN GILMAN

Mr. GILMAN. Thank you, Mr. Chairman, and I want to join you in welcoming the Secretary of State, Warren Christopher, before us today. I welcome also AID Administrator Brian Atwood, who last appeared before us on February 3, to introduce the Clinton administration's foreign assistance program.

In particular today, I am greatly interested in the funding level the Secretary proposes for the peace process in the Middle East. The Camp David Accords have contributed greatly to the stability of the region, and we would welcome hearing the Secretary's views on how we can continue that process toward a broader peace in the region and just what resources will be available to promote that process.

However, before going into that, I know that a number of my colleagues, along with me, expressed some serious concerns about the arrest on Monday of a senior CIA official on charges of spying for

Russia. We are concerned the implications of that arrest could seriously affect the future of our foreign assistance to Russia.

According to the news reports, the spying began as early as 1985 and continued into this year, and the Russians have paid this individual over \$1 million for services. I think it was \$1.5 million.

As you know, I have supported the assistance program to Russia, along with a number of our colleagues on this committee. Last year, we traveled to Russia and returned impressed with the utility of assisting in the development of a constructive partnership between our two nations. We are now concerned about the impact that the arrest of this high-ranking CIA officer could have on this still developing partnership.

Last year, for example, Congress appropriated \$2.5 billion in economic assistance to the former Soviet Union. This year, the administration is requesting an additional \$900 million for Russia. Much of this assistance will be for support programs in that area.

It is ironic that given the high level of assistance that Russia has sought from our Nation and other donors, they found this money to pay for their spy. The administration needs to assure the American people that U.S. assistance did not somehow permit this operation to continue long after Russia should have shut it down on its own.

We are concerned, and I know the administration is concerned, about the signal that Moscow is sending with this continued spying—a relic of the cold war era. Foreign assistance has never been popular in our Nation, and this incident can only add to those concerns. There were already some reservations about maintaining such a high level of assistance given the uncertainty of the Russians' commitment toward necessary economic reform and how the slow obligation rate had been going with previously appropriate funds.

Without question, there must be a thorough assessment of the damage done by this spy so that we on this committee can know what kind of review of our foreign aid program may be necessary.

The budget request also contains a substantial reduction of Public Law 480 Food for Peace Program. As one who has argued for increased efforts to end world hunger, I question the wisdom of the proposed \$219 million reduction and we certainly would welcome the Secretary's explanation with regard to that item.

Finally, many of us who have supported the foreign assistance reform effort hoped to see some administrative savings achieved that could be used to bolster the sustainable development account. There would seem to be areas of duplication of services in the continued high level of operating expenses in both the Department of State and AID. We would expect some savings to be generated as a result of the "reinventing government" efforts being undertaken in the foreign assistance agencies.

Mr. Secretary, we welcome you today and we look forward to your views. Thank you, Mr. Chairman.

Chairman HAMILTON. Thank you, very much, Mr. Gilman. Mr. Secretary, you may proceed.

STATEMENT OF SECRETARY WARREN CHRISTOPHER, SECRETARY OF STATE

Secretary CHRISTOPHER. Thank you, very much, Mr. Chairman. I have submitted a longer statement for the record. And Mr. Chairman, with your permission, I will abbreviate it in my oral statement.

Chairman HAMILTON. Your statement, of course, will be entered in full in the record, without objection.

Secretary CHRISTOPHER. Thank you.

I am very pleased to be back here before the House Foreign Affairs Committee, and to talk to you about the priorities driving American foreign policy and our request for fiscal year 1995.

FOREIGN AID REFORM

I do want to begin by thanking both you and Mr. Gilman for the assistance you gave in connection with the rewrite of the Foreign Assistance Act and for the new Peace, Prosperity and Democracy Act. Mr. Chairman, that is a very important act, and I think that your leadership on that has been one of the main forces in energizing us to complete that rewrite and get it up here to Capitol Hill. And we are grateful to you for scheduling hearings, and we look forward to working with you during the course of the year to see if we cannot accomplish the major reforms that are set forth in that act. Speaking to the committee as a whole, we certainly value your expertise as we try to advance the security and prosperity of the American people.

In this time of profound transition, our major task in setting the nation's foreign policy course is a clear one. We need to identify with care and to pursue with tenacity those interests that are vital for continued safety and prosperity of the American people.

Last fall, I identified six strategic priorities to meet the challenges presented by this new era of change. I would like to touch briefly on each of these six areas and then I will address the budget issues, that is how we will be proposing to allocate our resources in support of the priorities that I list, as well as the broader foreign policy objectives.

These broader objectives are set forth in the Peace, Prosperity and Democracy Act, which, as I indicated, is a top priority on the administration's legislative agenda. And it is this new act that provides the framework for our fiscal 1995 International Affairs budget.

BOSNIA

Before going to the budget issues, Mr. Chairman, or to the strategic priorities, I want to address events that are undoubtedly on the mind of the committee, on the mind of the American people, by reviewing briefly where matters stand in Bosnia. Congress and the American people should have a clear understanding now of the national interest that guides our actions in connection with Bosnia. As President Clinton said last Saturday, we have a strategic interest in preventing this conflict from threatening our NATO allies or undermining the transition of former Communist states to peaceful democracies. We have a political interest in ensuring the credibility

and integrity of the NATO alliance. We have a very important interest in curbing the destabilizing flight of refugees in this region. And we certainly have a humanitarian interest in opposing the horrors of ethnic cleansing and easing the plight of starving people.

As you know, on February 9, NATO ordered all heavy weapons threatening Sarajevo to be placed under U.N. control or moved to a 20 kilometer exclusion zone around the city. To date, this ultimatum has been effective, in a large measure because of the firmness and solidarity of the NATO alliance, which, in this instance, has been led by the United States. President Clinton and President Yeltsin have been in regular communication, and Russia has pressed to gain Bosnian Serb compliance with the ultimatum.

But with respect to the situation in Sarajevo, let no one doubt our resolve to use force if necessary, and this is a continuing commitment. If heavy weapons return or if the shelling of Sarajevo were to resume, those responsible for the attack would be subject to attack. NATO's decision has no expiration date.

At the President's direction, we are now working very actively to try to achieve a settlement that will ensure a viable Bosnian state and a lasting peace. We will work closely with the Bosnian Government to determine its reasonable requirements for a negotiated settlement and then to try to help achieve that. We are also working to facilitate a rapprochement between the Muslim and Croatian forces in Bosnia.

We cannot say that success is around the corner in these negotiations for they are very difficult and highly complicated. But, I can assure you that the United States will work with diligence and persistence to assist the parties in reaching an agreement that will endure. The momentum and credibility that have been achieved, thanks to the Sarajevo initiative, opens up several new possibilities for peace, and we will be pursuing every one of these new avenues.

PROMOTING ECONOMIC SECURITY

Mr. Chairman, let me review our progress now on the six strategic priorities of our Nation's foreign policy. First, promoting economic security through global growth. I have identified this as the first of our six priorities. With NAFTA, APEC and GATT, there was an extraordinary convergence of opportunity for the United States last year. I am pleased that we were able to pull off a triple play for America's economic future.

The President's determination to put economic policy at the heart of our foreign policy is evident in the area where we are having success. It is also evident in areas where we are still working for success, in particular, our economic relations with Japan.

We remain committed to placing our trade and economic relationships with Japan on as firm a foundation as our security and diplomatic cooperation. The framework agreement reached with Japan last July is aimed at widening market access and correcting Japan's unacceptable trade balance with the world and with the United States. But since that time, unfortunately, the framework agreement has not been fulfilled.

We are considering actively our options and have already exercised some. We do not want a trade war; we want trade opportunities. Japan has a responsibility as one of the world's great trading

nations and we hope they will—can be induced to meet them. I am going to be going to Japan in about 2 weeks, Mr. Chairman, and will have a chance to reaffirm our position with Japan's leaders.

POLICY TOWARD RUSSIA AND THE NIS

Our second strategic priority was advancing reform in Russia and the New Independent States. Chairman, since this administration took office, our policies toward Russia and the New Independent States have been based upon two key premises. First, reform in the former Soviet Union is an overriding interest to the United States. And second, reform will not be easy. There will be setbacks along the road. I believe we must be realistic in our expectations, steady in our support for reform and unequivocal in our opposition to forces whose policies are contrary to our interest.

Mr. Chairman, I would like to diverge, if I can at this point, from my written testimony and address the subject that Mr. Gilman spoke to briefly, and that is the espionage incident yesterday and the day before, which stem from a case at the CIA.

The fact is that we know there are still forces at work in Russia which are inconsistent with reform and inconsistent with their new status in the world. We knew that before yesterday's—Tuesday's espionage revelation. There are those in the Russian security services who are conducting clandestine operations as though the cold war had never ended. They have changed the name of the Russian intelligence services, but they have not changed its activities.

We take this development very seriously, Mr. Chairman, and as you know, I called in the Russian Charge, something a Secretary of State seldom does, and Ambassador Pickering has had active conversations in Moscow. I think it has been quite apparent from the way we have handled it that we review this—we view this matter very seriously. I am glad to say the FBI and the other agencies pursued this investigation doggedly and have brought it to this climax.

Despite the profound changes that have taken place over recent years, the end of the cold war, our Government will have to remain vigilant about defending our national security interest in this area of counterespionage, just as we will in all other areas.

I feel I should say, Mr. Chairman, that events in Russia in the past few months have revived fears about its future. But, nevertheless, I think those events should be seen in perspective. For the first time in history, Russia has an elected President, an elected Parliament and a meaningful modern Constitution. This is the boldest experiment in building democracy in the current period. We are also beginning to see a market economy emerge in Russia.

Yet, the dangers in Russia remain very real. I do want to say, though, that the administration feels that the Russian people should have no doubt that as long as they keep moving in the right direction, and direction toward reform, we will support them. At the same time, I want to emphasize that American assistance is not charity. We do it because it is in the interest of the United States, and for no other reason.

Speaking of the situation in Russia, the President has made clear the importance he attaches to the independence and territorial integrity of Russia's neighbors. We recognize that Russia has inter-

ests in developments on its borders, including concerns about the rights of ethnic Russians abroad. And we insist that Russia's behavior toward its neighbors conform with established principles of international law.

One of President Clinton's top national security priorities has been to ensure that the breakup of the former Soviet Union does not produce new nuclear states. We have now secured commitments that will ensure that it will not do so. Last month, after a lot of painstaking diplomacy and President Clinton's personal engagement, Ukraine signed the trilateral accord with the United States, Russia and itself, opening the way for the elimination of nuclear weapons on its territory. That is a big step forward and we think it is very notable that now the three former nuclear states, Kazakhstan, Belarus and Ukraine, have all pledged to return their nuclear weapons to Russia for dismantlement.

MODERNIZING THE TRANSATLANTIC ALLIANCE

The third of the strategic priorities was to renew and modernize the transatlantic alliance and NATO. Last month in Europe, President Clinton reaffirmed the vital importance of the transatlantic relationship, indicating that it remains vital to American security. From an economic standpoint, we strengthened our transatlantic partnership, when the United States and the European union were able to come together to complete the GATT round, something we had not been able to do on two prior occasions.

It is quite apparent that the new European democracies, the former Warsaw bloc, are seeking closer ties with Western political and security institutions. At the NATO summit in January, the allies approved President Clinton's Partnership for Peace initiative to deepen NATO's engagement with the East and to begin an evolutionary process of NATO expansion. Already, 10 nations have begun the formal process to join the partnership, and we know that many will soon follow.

NEW FOCUS ON ASIA AND THE PACIFIC

The fourth strategic priority was to put a new focus on Asia and the Pacific. We have emphasized, of course, that we need to advance our vital security and economic interests in the Asia-Pacific region in a way that has not been done in prior administrations.

Talk about a security threat for the moment, North Korea's threat to withdraw from a nuclear nonproliferation treaty stands as a challenge to security on the Korean peninsula and to the global nuclear nonproliferation regime. We must work to ensure a non-nuclear Korean peninsula and a strong, international nonproliferation regime.

Our determination to pursue these goals in the Korean peninsula is absolutely firm. Our preferred path is dialogue. For that reason, we were encouraged last week when North Korea announced it would accept the inspections required by the International Atomic Energy Agency that was to ensure the continuity of nuclear safeguards. The inspections to do so must take place as soon as possible and without interference, so that we can determine whether there has been any diversion from these nuclear facilities.

I have already emphasized the priority that we give to our economic relations with Japan to put them on as sound a basis as our security and political relationships. We also seek a comprehensive relationship with China, a relationship that permits resolution of differences over human rights, proliferation and trade. More progress on human rights must be urgently made if the President is going to be able to renew a Most-Favored-Nation's treatment this spring for China.

I emphasized these points in my meetings with the Chinese in the last 2 or 3 weeks, and I will do so again in Beijing 2 weeks from now.

Earlier this month, the President announced he was lifting our trade embargo against Vietnam and establishing a liaison office in Hanoi. This decision was based upon Vietnam's cooperation and its conviction that the step of lifting the embargo would stimulate continued progress on the fullest possible accounting of our POW's and MIA's. I want to emphasize that our future relations with Vietnam and the additional steps that we take will have to be guided by our estimate of progress that we make on the POW and MIA issue.

PEACE IN THE MIDDLE EAST

Just a few brief words about our fifth strategic priority, that is promoting peace in the Middle East. We are giving continued high priority to trying to achieve a just and comprehensive Arab-Israeli peace. The President and I are committing—committed to playing as active a role as necessary to ensure that progress continues.

We have also been actively promoting progress on other bilateral tracks. The President's mid-January meeting with Syrian President Assad was a step forward to set the stage for the resumption of negotiations on all four bilateral tracks here in Washington. On the Israeli-Syrian track, there have been very serious negotiations over the last 2 weeks. But, I would emphasize it will take time to work through the complex relationships of the three core issues on this track: peace, withdrawal and security.

I am glad to say that there also appears to be new energy and purpose on the other bilateral tracks. In addition, we are working to break down region-wide barriers that stem from the Arab-Israeli conflict, working to break down the Arab boycott, working to bring to an end the potential threats from Iran and Iraq.

NONPROLIFERATION AND EXPORT CONTROLS

And finally, the last of the priorities, let me just say a few words about our efforts to put nonproliferation and the other global issues in the mainstream of American foreign policy. First, I believe, Mr. Chairman, we must continue our efforts to control the spread of both nuclear and advanced conventional weapons. We must have regional strategies that are complemented by a global effort to curb the demand for weapons of mass destruction. We are working to put a new COCOM regime in place, to indefinitely extend the non-proliferation treaty when it comes up in 1995, and to negotiate a new comprehensive test ban.

OTHER GLOBAL CHALLENGES

We have also placed other global challenges in the mainstream of American foreign policy. We have renewed our leadership in attacking environmental degradation and stabilizing population growth. We have strengthened our commitment to democracy and human rights.

Our engagement in the Western Hemisphere advances our global agenda, as well as our economic security. The Summit of the Americas that President Clinton will host later this year, a summit, I believe, that is a first-time event, will focus on strengthening good governance, spurring trade, curbing narcotics and promoting sustainable development throughout the hemisphere.

Our policy toward Africa underscores the importance we attach to democracy and human rights. In South Africa, in particular, we must help to ensure that all that nation's citizens can participate in a peaceful multiparty election.

THE 1995 BUDGET

Let me turn now, Mr. Chairman, and briefly discuss the 1995 budget before I am ready for your questions. For more than 40 years, the International Affairs budget proceeded from the necessary premise that our overriding national security objective was the containment of Soviet power. As you know now, we are still operating under the Foreign Assistance Act of 1961. This is a relic of the cold war, passed a few weeks after the Berlin Wall went up.

We now have a chance to remake American diplomacy and to reenforce American security in a world that is unburdened by superpower confrontation. The President's fiscal 1995 budget broadens the concept of national security to meet the new challenge of the post-cold war period. It is organized around a number of mutually reinforcing goals, which I will discuss briefly.

ADVANCING AMERICAN PROSPERITY

The first of these is advancing American prosperity. At my instructions, our embassies around the world have elevated the priority they attach to advancing American exports, the fastest growing source of high-paying jobs in our economy. I must say that this is one policy that seems to be working very well, Mr. Chairman. To cite one powerful example, the \$6 billion airframe contract that Saudi Arabia awarded last week to Boeing and McDonnell Douglas will mean thousands of jobs, thousands of American jobs. Of course, the main reason for that is the superiority of the American product. But, our Embassy, the State Department and many other portions of our Government worked to make sure that we got that contract.

This budget invests quite heavily in American jobs and in our economic security by funding aggressive programs in important government agencies such as Eximbank, OPIC, the Trade and Development Agency and the Department of Agriculture. These programs are complemented by programs in the Department of Commerce and the Department of State, both here in Washington and our embassies around the world.

SUPPORT FOR DEMOCRACY AND SUSTAINABLE DEVELOPMENT

Several of our strategic priorities are directed toward our second goal, support for democracy. We have requested \$1.3 billion in fiscal 1995 to fund democracy-building programs in Central Europe and the former Soviet Union. Democratic and economic reforms are, we believe, absolutely complementary. AID support for small business owners, entrepreneurs and shareholders promotes political change, as well as economic change, in the region.

Our budget also contains a new account to assist countries undergoing a transition to democracy. Most of these funds would be spent in Africa, Latin America and Asia.

Another of our goals is to advance sustainable development. Our administration feels that too little attention has been paid to the interlocking threats of rapid population growth, poverty and environmental degradation. If we do not confront these crises in large parts of the world, I feel that we will be unable to sustain the economic growth, which is important for the maintenance of a solid world economy as well as American prosperity. By increasing funding for population and environmental programs, we support sustainable development and invest in America's future.

FUNDS FOR MIDDLE EAST PEACE

The larger share of our budget request, \$6.4 billion, supports our goal, promoting peace. More than 80 percent of this is for maintaining and advancing peace in the Middle East, a subject that Mr. Gilman referred to. At a time when there is so much hope and so many dangers in that area, the continuation of such funding is critical. Our programs will support our continuing commitment to Israel's security and at the same time reflect Egypt's continuing vital role in the region.

We are also working to ensure that U.S. and international economic assistance to Gaza and the West Bank will lead to projects that actually improve the lives of the Palestinians there on the ground.

PEACEKEEPING POLICY AND BUDGET

We have also requested funds for U.N. peacekeeping. If we believe that such efforts should be shared with others, that the burden should be shared, then, of course, we must meet our own obligations. We must live up to our commitments to the U.N. and we look forward to beginning consultations shortly with the Congress on how we can work together to address the growing funding problem for peacekeeping.

I want to mention one critical part of our peacekeeping policy, that is command and control. Let me emphasize that the President will never relinquish his ultimate command over U.S. forces. And under no circumstances will our military personnel be placed at risk without proper command and control. Our aim is to establish a process for making sound judgments about when to participate in peacekeeping and to encourage reform in the way the United Nations conducts operations.

Here is a situation where we need to work closely with Congress and improve our cooperation whenever we undertake a peacekeep-

ing operation or are considering doing so. We have a number of proposals which we think address your concerns. We look forward to working with you, and I particularly appreciate, Mr. Chairman, your leadership on this important and difficult issue.

HUMANITARIAN ASSISTANCE

Humanitarian assistance is another goal of our foreign policy because it affects our ideals and values. We have requested \$1.6 billion in our budget to assist refugees, to eliminate—or alleviate—the suffering caused by disasters and economic dislocation, and to provide food for impoverished people. Most of the world's humanitarian crises are manmade and, therefore, preventable. By promoting peace, fostering economic growth and building democracy, we hope over time to reduce the needs for this humanitarian assistance.

STATE AND USAID OPERATING BUDGET

Finally, let me mention another goal that makes our pursuit of all of our national security goals possible. This budget requests funds to support the operations of the State Department, USAID and our assessed contributions to international organizations. They also support our training programs for foreign policy professionals.

Our Department has instituted a broad-based reorganization and reform of its operations to keep pace with change both here and abroad, and also to streamline and economize our activities.

Overall, the budget that we are presenting this year is again an austere budget, consistent with the President's deficit reduction plan. It is also a budget that has a single unifying theme, a single test, and that is: does what we expend promote the security of the United States? Is it in the best interest of the people of the United States? And I think we should measure whatever we expend and whatever we do by that stern test.

Thank you, very much, Mr. Chairman. I will be glad to help—try to respond to your questions.

[The prepared statement of Secretary Christopher appears in the appendix.]

VISITING LATVIAN PARLIAMENTARIANS

Chairman HAMILTON. Thank you, very much, Mr. Secretary.

The Chair has been informed that we have a visiting delegation of Latvian parliamentarians here who are here under the auspices of the special task force chaired by our colleague, Martin Frost, of Texas. The Chair just wants to recognize them and say we are very pleased to have them with us this morning to hear the Secretary's testimony.

VISAS FOR SYRIAN JEWS

Secondly, the Chair has been notified that Syria has granted exit visas to all 1,000 Syrian Jews still living in the country, and they can travel abroad if they wish. That is very good news. We have many members of this committee, including Congressman Gilman, the ranking member, Mr. Berman, and Mr. Fingerhut, Mr. Lantos,

and others on this committee who have been very interested in that and have worked hard for it. So that is a note of good news.

NATIONALIST THEME IN YELTSIN SPEECH

Mr. Secretary, the wire services this morning are now reporting President Yeltsin's speech delivered to the newly elected Duma, the Russian Parliament. I have not had an opportunity to read that speech in full; perhaps you have not either. But, my impressions of it are that it is a very assertive speech about the role of the state in Russia and the role of a strong Russia as a guarantor of stability throughout the area. He was very blunt about saying there would be no unilateral concessions in foreign policy or on defense issues. He had a strong nationalist theme in his speech, a strong Russian foreign policy throughout the world and the need to protect ethnic Russians wherever they live.

He opposed the expansion of NATO without the inclusion of Russia, was very specific and firm on that point. And from what I have seen, he seemed to be backing away from strong support for economic and political reform. Indeed, he listed those among a number of other domestic reforms, listing six or seven of them, I think.

Now, I do not know if you have had a chance to think about that speech, but I wanted to give you an opportunity to make any comment you thought appropriate with respect to it.

INITIAL IMPRESSIONS OF YELTSIN SPEECH

Secretary CHRISTOPHER. Mr. Chairman, I can tell from your comments that you may have studied it more than I have. It was only on the morning news and I did consult with some of my colleagues about it this morning. We are still in the process of analyzing it.

I may see it in a somewhat more favorable light than you, Mr. Chairman, based upon your initial comments this morning. As I understand it, President Yeltsin made a personal commitment to combat inflation, emphasizing that unless inflation is curbed, the crisis cannot be solved. He did speak out for a strong industrial policy, but he indicated that Russian enterprises should produce only goods that can be competitive with goods produced from abroad.

He certainly had a strong domestic theme, talking about the need to fight crime. I think we can well understand that here in the United States. And although he did call for activism on the part of Russian in the field of foreign affairs, he emphasized that he was in favor of the partnership for peace, that it should be open, as I understand it, to all the nations in Europe. And I think that those are good signs.

Generally speaking, he came down in favor of continuation of reform. But clearly, I think that he has taken into account the effects of the recent election and responded to that. From what I saw, he was in a strong, vigorous mood and made a strong vigorous speech, which is a good sign in itself. But, Mr. Chairman, I would like to have an opportunity to make a somewhat more detailed response to you after we have had an opportunity to analyze his speech in full.

Chairman HAMILTON. In any event, your initial impressions are you do not see in the speech anything that complicates the relationship?

Secretary CHRISTOPHER. That might go a little too far, Mr. Chairman.

Chairman HAMILTON. All right.

Secretary CHRISTOPHER. I think that we will want to look at the foreign policy aspects of it. Because reform in Russia to me means political reform, economic reform and reform in foreign policy. We have been able to cooperate with them on a number of areas, especially in the nuclear area, which, I believe, makes America safer. We have had relatively good cooperation on Ukraine and in the Baltics. But, our continued support will be closely related to a continuation of reform, and I want to look at the speech in that light. I would have an opportunity to get back to you, either in writing or orally, when we have a more seasoned evaluation of the speech.

PURPOSE OF U.S. ASSISTANCE TO RUSSIA

Chairman HAMILTON. I wanted to move next to the question of aid to Russia. It is no surprise to you that Russian aid is under very intense review here. I think my ranking member, Mr. Gilman, referred to that a moment ago.

We have heard in this committee several policy justifications for aid to Russia. Now, it is quite possible, of course, to have more than one justification. But my question is: what is the purpose of U.S. assistance to Russia?

If you look at the Freedom Support Act of 1992, the purpose is very clear. It is that Russia must make significant progress in a comprehensive way toward economic reform, that is the rationale of the law. And the emphasis there, from my standpoint at least, is on the word "comprehensive."

Ambassador Talbott, when he was here in January, drew a very sharp distinction between bilateral and multilateral assistance. He testified in support of conditions on multilateral assistance but said, with respect to bilateral assistance, that those programs should not be held hostage—and I am quoting him now—"to the wisdom or folly of the central government's policies."

When Ambassador Talbott and Ambassador Pickering were here, they told this committee that U.S. assistance to Russia should continue because it gives us leverage on Russian foreign policy. In more recent days, we have heard that aid should be concentrated at the grassroots if the reforms at the national level are not going well.

I suspect all of these things have some bearing. But I wanted to hear from you what you think the purpose of U.S. assistance to Russia is—the rationale for it as we begin debate in the Congress on this very important issue.

RUSSIAN AID SERVES U.S. INTERESTS

Secretary CHRISTOPHER. Mr. Chairman, the fundamental reason for assistance to Russia is to serve the interest of the United States. As I said in my statement, it is not charity, it is only valid if it serves the interest of the United States.

Now that is a sweeping generalization and let me try to be a little bit more specific. I think it serves the assistance of the United States—the interest of the United States to promote reform in Russia, and I use the word reform broadly to include political reform. That is, if Russia moves in the direction of being a democracy as it has, I think that is in the interest of the United States. Democracies are better partners, they are more reliable in trade. Generally speaking, they serve their citizens better and, thus, serve the world community better. So, I think a continuation of political reform serves the interest of the people of the United States.

Second, economic reform, as you point out, is one of the fundamental reasons for us to assist Russia. Because we think, if they have economic success, they will be a more stable country. They will become a tremendous market for American business. The last time I was in Moscow, I had a meeting with the newly formed American Chamber of Commerce, and there were 500 businessmen in the audience waiting to do business with Russia, many of them doing a substantial amount of business, many of them there anticipating changes in Russian laws, which have been slow to come. But the fact that they are there in Russia and the commitments their companies have made indicates the potential of that market for American businesses and for the American people.

And third, reform in the field of foreign policy, I think, serves the interest of the United States very significantly. Certainly, a continuation of the nuclear arrangements that we have with them, which will result in the dismantlement of thousands of nuclear weapons, makes the United States and the rest of the world safer.

Our ability to have relationships with Russia around the world that are positive relationships, I think, is in our interest. As I mentioned, Mr. Chairman, our negotiations in the trilateral arrangements with Ukraine indicate the great advantage that there is in this period of being able to have a civilized positive relationship with Russia. And I would say once again, we have had such an experience in Bosnia just in the last several days. Our ability to communicate on those issues, their response to our longstanding request that they try to rein in the Serbs, I think, had an ultimately positive result.

I cannot say that there were not some disquieting comments made by some of them in the course of this. But the net effect of what they have done is to respond in a way that we have long asked them to, and that is to rein in the Serbs. And I look forward to continuing that dialogue.

So just to recap, Mr. Chairman, I would put it in broad terms, and that is it serves the United States' interest and thus justifies aid if they reform in these fields of political affairs, economic policy and foreign policy.

The reference to grassroots, I think, is an important one for me to comment on briefly. Only 23 percent of our aid goes to the Russian central government. The vast majority of our aid goes to areas outside of Moscow and outside of Leningrad, which, I think, is the right place that it ought to go, thus serving our interest there as well.

This will not be a straight-line path. It will be a—inevitably, there will be setbacks and there will be rocky days. But, overall,

I think that our aid to Russia has served the interest of the people of the United States, which is the only proper test for it.

COMMITMENT SOUGHT ON FOREIGN AID REWRITE

Chairman HAMILTON. Thank you, Mr. Secretary. Just one assurance I want to get from you before I go to Mr. Gilman. The foreign aid rewrite will, of course, be a difficult bill to move through the Congress. I hope we have your assurance that you, the members of your staff and the administration will work with us diligently and closely in order to get a foreign aid rewrite enacted.

Secretary CHRISTOPHER. Mr. Chairman, you have that assurance. You have provided leadership in this area. You have set a deadline last fall that I think we met or came within a day or two of meeting, which was a very salutary deadline to set for us, and we want to keep working with you. And so, you have my assurance absolutely on that.

Chairman HAMILTON. Thank you. Mr. Gilman.

REQUEST FOR FISCAL YEAR 1995 BUDGET NUMBERS

Mr. GILMAN. Thank you, Mr. Chairman. Mr. Secretary, I appreciated your comments with regard to the spying incident. We hope that you would keep our committee advised as this unfolds, and what the implications are with regard to our relations with Russia and with some of the other former satellite countries.

Mr. Secretary, yesterday, our committee met to report its views to the Budget Committee on the President's request for International Affairs. It is a 150 budget function. However, we did not have any specific information that has been provided to the committee which enables us to compare fiscal year 1994 and fiscal year 1995 budget figures for key programs that are within our committee's jurisdiction. Can you tell us when our committee can expect to receive the annual congressional presentation documents, and will you provide us with additional information and/or briefings if those documents do not meet our needs?

Secretary CHRISTOPHER. Definitely, Mr. Gilman. First, you will have those documents within a few days. They are in draft form now. And you will have those documents giving greater specificity, country allocations and so forth within a few days. And I am sure you will need more information and we will work closely with you to provide the additional information.

FUNDING FOR COUNTER-NARCOTICS, TERRORISM AND CRIME PROGRAMS

Mr. GILMAN. Thank you. We are meeting some of our budgetary time constraints and we certainly welcome having those at an early date.

Mr. Secretary, the administration is proposing an increase in funding for narcotics, terrorism and crime programs. While there is an overlap between narcotics, terrorism and international crime in one agency, there are also areas where they differ in their application. Can you tell us what mechanism will be used to determine the amounts of funding for each of those programs, and will the Andean nations continue to be a funding priority for counter-nar-

cotics programs, and which international programs will be the beneficiaries of any increase request? It will help us greatly if we could sort out some of that. How will it be determined what amount of funding goes to interdiction against the sustainable development and administration of justice, et cetera?

Secretary CHRISTOPHER. Mr. Chairman, when the documents are presented in a few days, I think you will have more data on that. But let me say generally speaking, that we will, within the Department, ensure that there is a proper allocation between those three areas, that is narcotics, terrorism and crime prevention. We will be discussing that with you and will be glad to have any comments that you have on that.

In the narcotics field, I think that we will be focusing more on programs within specific countries, especially the Andean countries, rather than on interdiction after the product—or after the drugs leave those Andean countries. The experience has been that more effective expenditure of funds is within those countries, themselves, to try to prevent the flow of narcotics. The dollar payoff is much higher if it is done in that way. But, we will be briefing you more in detail when we get to those particular budgets, Mr. Gilman.

REDUCTION IN P.L. 480 BUDGET REQUEST

Mr. GILMAN. That information will be extremely helpful to us.

Mr. Secretary, would you explain your rationale for reducing the budget request of Public Law 480 by some \$219 million?

Secretary CHRISTOPHER. Well, that is just one of those very difficult tradeoffs that you have to make in tough budgetary times. As you know, our budget is, generally speaking, about level this year and there are many new obligations that we have. There are some areas where it seemed absolutely essential to increase our budget, in some of the new areas. I cannot say that we did not wish for more in the Public Law 480. But, it is just one of those tradeoffs that has to be made when budget levels are finally reached.

We worked hard to sustain our program at more or less the same level as in prior years. But when it came down to it, the President and OMB had to make some difficult choices and that was one of them. It is a meritorious program.

ARAB LEAGUE BOYCOTT

Mr. GILMAN. Well, I hope that we can find some better compromise in that program as we review the budget.

Mr. Secretary, recently during Secretary Brown's mission to the Middle East, the Arab League stated willingness to discuss dropping secondary and tertiary elements of the boycott at the next meeting of the Arab League. This was the first major positive sight that we have seen from the Arab League. However, within weeks of that statement, they decided against raising it at this time. Instead, they continued to support the policy of economic belligerency, which is a clear impediment to the peace process.

Have you questioned the Arab League about their inconsistent and contradictory statements? They continually raise their conditional thresholds for lifting the boycott. We would be interested in how the administration addresses that issue and whether you have

pressured the Arab League to abide by its promises. We would like to know when we will see the results of efforts by the Congress and the administration to end that boycott that is long overdue.

Secretary CHRISTOPHER. Mr. Gilman, we have continued to make strenuous efforts to get rid of the boycott, both the secondary and tertiary effects, as well as the primary effects. I believe that in the de facto basis, the secondary and tertiary effects are vanishing. In practical terms, there is a great deal of trade that would otherwise have violated the secondary and tertiary aspects.

I have been working the telephones just in the last several days to try to make sure that the Arab League takes up the secondary and tertiary aspects of the boycott, and eliminates them when they meet on the 27th of March. I also have been urging that over time, they agree to what I call a local option with respect to the primary boycott, so that countries are able to decide themselves whether they wish to trade with Israel.

I see continual progress on this front, Mr. Gilman. The Gulf countries, I think, are—many of them have eliminated from a de facto basis the secondary and tertiary boycotts. One or two of them are even—have even eliminated the primary boycott. So, I feel that there is real progress here. But, it is something that we will continue to work on at the State Department.

You know, the rationale for the boycott largely disappears as we move through the Declaration of Principles between Israel and the Palestinians. Indeed, the boycott can be working against the Palestinians because of their close relationships, economic relationships with Israel. So, I think we have a very strong case to persuade them to lift the boycott, and we are working on it very diligently.

CHINESE HUMAN RIGHTS VIOLATIONS

Mr. GILMAN. Well, your comments are encouraging. We hope you will continue in those efforts.

Mr. Chairman, just one last question. Asia Watch recently released a directory of political and religious prisoners detained in China and Tibet, a report of over 600 pages long, documents from thousands of cases of people detained for their political and religious beliefs. When you go to China, I hope that you would remind the Peoples Republic of China of our concern of those human rights violations, as well as the problems with Tibet, the M-1 missiles and the other areas that we are all concerned about.

Secretary CHRISTOPHER. Thank you, Mr. Gilman, I have a long list of things to take up with the Chinese, including the recent announcements with respect to religious freedom.

Mr. GILMAN. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Chairman HAMILTON. Thank you, Mr. Gilman. Let me urge my colleagues to stay within the 5-minute frame if at all possible. Mr. Lantos.

ENSURING NATO'S CREDIBILITY

Mr. LANTOS. Thank you, Mr. Chairman. Welcome, Mr. Secretary.

Mr. Secretary, at the outset, I want to commend you and the President for the conduct of U.S. foreign policy. On the whole, I

think it has been extraordinary and you deserve both public and private praise.

I would like to raise an issue, which is somewhat different from the usual topical issues we deal with. The issue that I would like to raise concerns the credibility of the United States and NATO. Long before you came to office, long before this administration came to office, almost 2 years ago, some of us urged the previous administration and our great European allies to use NATO in the Yugoslav crisis. Now that NATO at long last has been used, we suddenly see results. And I find it puzzling that so many people have to relearn the lesson, time and time again, that diplomacy not backed up by a credible threat of force is impotence. Because, we have had a protracted period of impotence in dealing with a crisis that could have been dealt with effectively at an early stage.

For two generations, the credible threat of force by NATO kept the mighty Soviet Union, nuclear superpower, conventional superpower, from moving a single inch in Europe. And there is not the slightest doubt in my mind that Mr. Milosevic and others would have also respected a credible threat of force had that been issued 22 months ago. And 200,000 people would now be alive and 1,600,000 would not be refugees. So, I salute you for using NATO, and I hope that this will be a steady and persistent policy.

QUESTIONING CREDIBILITY OF U.S. CHINA POLICY

Now, I see a similar problem of lack of credibility in our dealing with China. Now let me tell you why. Every year, we go through a charade of the debate on extending Most-Favored-Nation treatment to China. And the debate is framed in the media as the debate between well-meaning idealists and humanitarians who are concerned about human rights and human values, and the hard-headed realists who indulge us and listen to us. And then, we proceed and go ahead and renew MFN treatment for China for 1 more year.

I am afraid we are in danger again of moving in this direction. China's human rights performance has not improved during the past year. There are forced confessions and torture by police and prison authorities; prisoners are used as slave labor; coercive birth control practices continue, including forced abortions and sterilizations; China continues its brutal occupation and colonization of Tibet; so on, so forth. Now the most recent incarceration of Christians, both Chinese and American Christians, is just the most recent outrageous example of how they flaunt international human rights practices.

Mr. Secretary, you know, as well as I do, that we have never had more leverage in China than we do now. We can find other cheap sources of Barbie dolls, Christmas lights and running shoes. We cannot substitute anything for a principled stand on China. Tim Wirth, the counselor to the State Department, in a testimony before the subcommittee I chair, said a few days ago, "If you look very clearly at the language of the 1993 China human rights report, it notes limited progress," and that word was carefully chosen. Limited progress does not meet the criteria of overall significant progress laid out by the President of the United States.

I see no overall progress. I see the continued persecution of Christians, of students, of Tibetans, and I am making a most earnest plea to you to use this unbelievable leverage. We will have a huge trade deficit with China. We are the only major trading partner of China where we have a deficit. We will never be able to move China toward respecting law in the field of nuclear proliferation, in cooperating on North Korea, in the full range of issues where we want to engage them constructively, until we insist that they respect laws with respect to their own citizens.

A country that denies the rule of law toward its own citizens will clearly flaunt the law in the international arena. I would be most grateful if you would give all of us a view as to whether you feel there is a danger here of losing our credibility by pretending every year that we are not renewing MFN unless certain things happen. Those things do not happen; yet, we go ahead and renew MFN. Thank you, Mr. Secretary.

FACTORS LEADING TO NATO ACTION IN BOSNIA

Secretary CHRISTOPHER. Mr. Lantos, let me reply to your very interesting observations with a similarly, perhaps thematic, comment.

First, with respect to NATO, I have been very concerned about ensuring and maintaining the credibility of NATO. And if you have noticed in the President's statement, he gave that as one of the interests that we have in dealing with the situation in Bosnia. My assessment is that there were three principle factors in enabling us to act at this time, when we had not been able to act in the past.

The first was the President's statement and his general approach at the NATO summit in which he said very plainly to the NATO partners that if you are going to adopt a resolution, if we are going to take some action in Bosnia, do not just adopt the resolution to feel good. Do not do it just in a rhetorical sense. Do not vote for this unless you are prepared to live up to it.

Second was a plea for leadership that came from the Europeans starting about the end of this year. They recognized that this was a problem that they would not be able to address without U.S. leadership. That was the second factor.

The third factor that enabled us to act at this time in a way that we had not in the past and, in many ways, probably the most important factor was the willingness of the European countries that had troops on the ground to be willing to take the risk for the use of NATO power in Bosnia. Perhaps, it is understandable they had been unwilling to do that in the past. That was one of the principal reasons why they refused to lift the arms embargo. That was one of the principal things that stood as an obstacle. Led by France, but then followed by Great Britain and the other countries, they recognized that that should no longer be an impediment to NATO action.

So those were the things that, I think, enabled NATO to restore its credibility by doing what it did. And as you properly point out, the Serbs reacted.

ASSURANCES ON CONDITIONAL NATURE OF MFN FOR CHINA

On the other half of your questions or comments, Mr. Lantos, I want to assure you that we will not go forward with MFN unless we can find overall significant progress. This is the first year that we have been operating under an executive order which the President issued. But that was issued in the context of very strong votes in the Congress last year; votes that were strong, but not so strong as to be able to overcome President Bush's veto. I think the President, and certainly I following his lead, take very seriously the need to find overall significant progress.

That does not mean, Mr. Lantos, that there will be an end to human rights violations in China. We cannot expect that in a single year. But that executive order sets down two specific demands that have to be met and five in which I have to recommend to him whether or not there has been overall significant progress. I think that may be one of the most important responsibilities I have in the course of this year. It is one of the reasons I am going to China. I will just reply on those terms that we take very seriously that obligation.

Mr. LANTOS. Could I just follow-up with a question on this issue of overall significant progress? On February 1, the counselor of the State Department, former Senator Tim Wirth, clearly stated that there has not been overall significant progress. Since that time, have you detected any overall significant progress in view of the arrest of Christians, both Chinese and non-Chinese, and the continued pattern which is so palpably obvious to all of us, Mr. Secretary?

Secretary CHRISTOPHER. Mr. Lantos, if I had to make those findings now, I would not, I believe, be able to find overall significant progress. But, of course, the finding needs to be made about the end of May. There has been some limited progress in other areas since Tim Wirth's statement. But, they have not included any action with respect to Tibet, except the release of two who had been imprisoned for activities in Tibet. So, we will have to find out and have to satisfy the majority of Congress that there is overall significant progress, I think, if we were to extend MFN. Otherwise, we will find ourselves facing congressional action of the kind we did in the past.

But, I could not disagree with now, our soon to be Under Secretary Wirth, that there has not yet been overall significant progress in the terms of the executive order.

Mr. LANTOS. Thank you, very much.

Mr. Smith.

CONCERN ABOUT FOREIGN AID FUNDING PRIORITIES

Mr. SMITH. Thank you, very much, Mr. Chairman. And Secretary, welcome to the committee.

Mr. Secretary, I have a few concerns and some questions I would like to raise. First of all, in looking at the budget, I think—and this is reflected, I think, by some of the comments that have already been made by Mr. Gilman and others—there is a concern about the prioritization of certain programs vis-a-vis other programs. And when I look at such things as Public Law 480; food assistance

being cut; child survival, which is very likely going to take a very real substantial cut; refugee assistance, and when we have a world awash in refugees slated for cut; and then on the other side of the ledger, we see population control getting a very hefty increase, I think we have some misguided priorities in the way that we allocate scarce dollars.

You know, I have always had a concern that in our almost fixation with reducing numbers and talking about people as if they are just aggregates and numbers—and that is carried to the extreme in China where the one child per couple policy continues to dominate, and whereas Dr. John Aire said they are now in an extreme peak approaching or exceeding levels of 1983 when women were routinely rounded up and forcibly aborted—we should not be surprised when we put such an emphasis on numbers and reduce people to the equivalent of cattle or deer, reducing those numbers, like fitting the herd, that those kinds of consequences are unleashed, especially when groups like the United Nations Population Fund vigorously defend that program.

And I met recently in China with the head of the program there, both the Chinese program and the U.N.D.P. rep, and they do not come out and criticize that program. As a matter of fact, they defend it. But, I mention that in terms of priorities and hopefully this committee will have the wisdom to try to alter those priorities in terms of funding levels.

ADMINISTRATION'S FAMILY PLANNING POLICY

I have a couple of questions with regards to the draft language that has been sent up to the Hill. Mr. Atwood was here before this committee recently and talked about the need for flexibility, and that was part of his response to why the 1973 Helms Amendment was being completely eliminated in terms of its operative language with regards to abortion as a method of family planning.

I would remind members that it has been the policy of AID over the years to permit, both in the Mexico City policy, which regrettably has been done away with, as well as within the program, itself, to allow for abortions when the life of the mother was at jeopardy. So the flexibility that Mr. Atwood was talking about in those rare circumstances is already covered in AID policy. We have also, it is my understanding, that rape and incest, likewise, was also covered. We were talking about abortion as a method of family planning, for birth spacing reasons.

And I would like to ask you, Mr. Secretary, if it is the policy of the United States now, or is it a policy that we are contemplating—or you are contemplating, the administration—to use a country's abortions policy, restrictive that is, whether it be in a Muslim country, a Catholic country, particularly in Central and South America, are we going to use our clout, the lever of foreign policy monies, foreign aid dollars, to try to get them to eliminate, change or alter, modify, or in any way affect those pro-life policies that are currently in place?

Secretary CHRISTOPHER. Mr. Smith, you have made a number of comments and asked a series of questions entirely appropriately. But let me comment in this way: our administration, as you know, supports a woman's right to choose abortion. However, President

Clinton has made it very clear that he would like to see the need for abortions reduced to comprehensive family planning.

It is not our intention to promote abortion as a means of family planning. We take the position that our domestic and international positions or our policies should be consistent, and we are really committed to working with Congress to make our domestic and our international policies in this regard consistent.

I believe that an administrator of the AID testified that he thought that there was confusion and ambiguity flowing from the Helms Amendment as to whether or not we could provide health and technical services. We look forward to working with Congress in this area. We certainly strongly oppose forced abortions or sterilization. Now that is not, by any means, our policy and nothing we wish to contribute to. And because Mr. Atwood feels that there is confusion in the language, we would like to work with you within the context of it not being our intention to promote abortion as a matter of family planning, but wanting to be able to make available comprehensive family planning services. And I hope within that context, we would be able to work with you, Mr. Smith.

INFLUENCING FAMILY PLANNING POLICIES ABROAD

Mr. SMITH. Can I follow up, Mr. Chairman, very briefly?

The question of whether or not our funds are being used directly or indirectly to influence a country's antiabortion laws, is that policy or do we contemplate that it might be the policy? I say that because Mr. Wirth has made suggestions that he hopes to use Cairo and to use the—as he would put it, “to reenergize emphasis on population control as a way of extending abortion as a means to that end.” And there are a number of countries that steadfastly want to protect the lives of their unborn children against the killing of—by way of abortion and would like to not have U.S. dollars coming in in a lobbying mode or in a pressure mode. Do we in any way do that? Or are we going to do it?

Secretary CHRISTOPHER. Well, we certainly do not intend to pressure other countries. We do hope to encourage comprehensive family planning worldwide because the rapid population growth is certainly one of the major problems that faces society. If you look at the numbers, it is very frightening. So, I think comprehensive family planning is a positive goal.

On the other hand, as I have said to you, we do not intend to try to encourage abortion as a method of family planning. I think failure to deal, as I hope the Cairo conference will, with the problems created by the potential increase in population, I think the failure to deal with that would be a serious mistake.

Chairman HAMILTON. The Chair wants to remind the members that the Secretary must leave in about an hour from now. We have a long list of members who would still like to ask the Secretary questions, so we want to proceed expeditiously and follow the 5-minute rule. Mr. Menendez.

FUNDING FOR LATIN AMERICA AND THE CARIBBEAN

Mr. MENENDEZ. Thank you, Mr. Chairman. Mr. Secretary, I want to congratulate you on a series of foreign policy accomplishments

in the last couple of months, and I know that, in this business, you always hear the bad news; never the good news.

Secretary CHRISTOPHER. Thank you, very much.

Mr. MENENDEZ. In talking about bad news and good news, this budget—there is good news and bad news, it seems to me. The good news is that the recommendation of Chairman Hamilton and Mr. Gilman, that we are basing our international development programs on commendable objectives, rather than on earmarks. But the bad news is that in some respects, we are really not getting away from earmarks.

Sprinkled throughout the bill, it seems to me, under the new objectives are the old earmarked priorities, and let me hasten to say that I do not necessarily disagree with those priorities. But, my concern is that in our international development resources, we do not always address the policy principles outlined in this bill.

In the very first page of State Department's budget and brief—I want you to know that we do read some of the things that you send us—the priority—the first priority established by the administration for the conduct of diplomatic and consular relations is economic security. And central to that priority, the Department is quoted here in this document as saying, “encouraging expanded economic cooperation with developing countries, particularly those regions, Latin America”—which I am interested in—“Asia and the Pacific, whose markets for U.S. goods and services are growing rapidly,” specifically quoted. And certainly, that seems to be a statement on the mark, as Latin America and the Caribbean represented about an \$80 billion market and growing for U.S. exports.

But the rhetoric does not seem to square with the facts. A case in point is the budget proposed for Latin America and the Caribbean. During the 1980's, Latin America and the Caribbean received over \$2 billion annually in U.S. foreign assistance. In fiscal year 1993, Latin America and the Caribbean went down and received \$1.2 billion. In fiscal year 1994, AID figures were down to \$700 million. And estimates for 1995 put the number at \$500 million for a region of over 450 million inhabitants, 46 percent of whom live in poverty, from \$2 billion less than a decade ago.

In the post-NAFTA era, when we are moving toward greater hemispheric integration with Latin America and the Caribbean region, we are reducing dramatically our presence there. Not only is assistance declining precipitously, but AID is closing one-third of all of its missions in the region.

So, I am concerned, Mr. Secretary, that we do not practice what we preach. And I question—a couple of the questions is how can we expand—obtain expanded markets in that region and thus enhance our economic security, if so many people in the hemisphere are outside of the economic mainstream and cannot afford to even buy our goods? And we talk about having the summit, yet the numbers belie, I think, the intentions of our summit.

So some of us feel that maybe that what we need to do is have a development fund for Latin America and the Caribbean, so that we can back our commitments to expanding hemispheric markets and regional integration that would benefit all of the peoples of the Western Hemisphere.

PLANNING FOR A POST-CASTRO CUBA

And while I am on that point, talking about the Caribbean and the Western Hemisphere, I would like to briefly address you on Cuba. Today is a famous day in Cuba. I would like to know how the State Department is doing in planning for a transition to Cuba. I know that the Department received a report about a transition in Cuba last year. I know that we are going to be holding hearings in the Western Hemisphere Subcommittee, Chairman Torricelli, on a bill that I have on a post-Castro Cuba. And I am particularly concerned, at this time, as we saw a new protocol trade agreement being entered into with Russia and Cuba. And as part of this agreement, the Cubans have asked the Russians, and I understand the Russians have agreed, to a \$1 billion payment, annual rent, for the signal intelligence facility—or spy station, as I call it—at Lourdes, Cuba, which is used to intercept U.S. communications, and for a nuclear submarine station near San Fuegos in southern Havana.

Now last year, I wrote to the President, you, Mr. Secretary, to the NSC expressing concerns about those facilities. It does not seem to me that at a time where we are concerned about our whole relationship with Russia, that \$1 billion annual rent payment is certainly to be considered a subsidy not in our best interest, and certainly taxpayers would not consider to pay \$1 billion for us to assist the Soviet—Russia to go ahead and pay \$1 billion in rent payments to be spied on the United States or to be able to launch nuclear submarines is in the best interest of the United States. So, I would appreciate your response to those concerns.

AID LEVELS FOR LATIN AMERICA

Secretary CHRISTOPHER. Thank you, Mr. Menendez. I particularly thank you for your generous comments at the beginning of your comment.

With respect to Latin America, I think I join you in the regret that we do not have more funds to make available to Latin America. Some of the countries have made such economic progress that I think it can be fairly said that they have graduated from the assistance program.

But overall, I would certainly hope that there could be additional funds for Latin America. I fought for that and got some additional funds. But in an austere budget, we are just going to find areas where it does not seem adequate to the needs and no doubt that is true in Latin America. I think the Western Hemisphere conference may have the effect of focusing us again on Latin America, and perhaps producing some additional funds for Latin America.

NAFTA was, I think, a very important signal that we are concerned about economic relationships with Latin America. And the extension of NAFTA to other countries or a NAFTA concept to other countries is something that will be clearly one of the major agenda items of this year.

I am trying to fly briefly, and I hope I will not offend you by not talking about every matter that you have raised, because I want to try to honor the Chairman's commitment to keep these individual discussions within 5 minutes or so.

Mr. MENENDEZ. I think those are my 5 minutes.

Chairman HAMILTON. You are doing all right, Mr. Secretary. It is the members I am having trouble with up there.

MONITORING CUBAN-RUSSIAN ECONOMIC RELATIONS

Secretary CHRISTOPHER. Thank you. With respect to the transition—the hope for a transition, I should say—in Cuba, we will be very glad to work with you on your bill. As you know, we have supported the Cuban Democracy Act. You raise a very important point, that we have to be ready to make the transition. Because inevitably, at least I think inevitably, it will come at some point.

With respect to the station at Lourdes, I have raised that with Foreign Minister Kozyrev, asked for an indication of the reason for that. As far as I know, Mr. Menendez, there has been no agreement reached between Russia and Cuba on the payment to be made. I have heard some speculative figures thrown around, but I understand, at least my best understanding is that no figure has been used.

Overall, I think we are watching very carefully to make sure that the relationships between Cuba and Russia are not subsidies and that whatever they give by way of economic payments are market-oriented. I know that cannot be applied absolutely in connection with something like Lourdes. But, we are very conscious of this and we will follow-up again with the Russians.

Chairman HAMILTON. Mr. Rohrabacher.

PRAISE FOR MIDDLE EAST POLICY

Mr. ROHRABACHER. Thank you, very much, Mr. Chairman. Welcome Mr. Secretary.

Secretary CHRISTOPHER. Good morning.

Mr. ROHRABACHER. First of all, I would like to congratulate you and the administration for the continuing fine job in the Middle East. And I think that a lot of times, all you get is criticism from—

Secretary CHRISTOPHER. Thank you, very much.

Mr. ROHRABACHER [continuing]. My side of the aisle. But the fact is, you are doing a good job. And the hopes for peace in that part of the world are better now than they have been in my lifetime, and I sure wish you further success in that area.

BOSNIA AND CHINA POLICY

I would like to associate myself with the comments of Mr. Lantos concerning Bosnia and China. I think that he is correct in his assessment that had we been willing to take a forceful stand earlier, that indeed we could have prevented the loss of life. And also, his commendable stand, as he is the chairman of the Human Rights Caucus, which I am also a member, that human rights does—should play a role, an important role in China, rather than just a facade. And I associate myself with those remarks.

POPULATION AID AND MILITARY EXPENDITURES

Further, I would like to associate myself with Congressman Smith's remarks. But, I am more concerned about the fact that we

tend to be increasing our effort on birth control and providing population funds to countries that are spending their own funds on military expenditures, especially in those countries that are involved with, for example, developing nuclear weapons, as in the case of India. And it seems to me that that is rather ridiculous that we are buying condoms for countries that end up spending their money on nuclear weapons.

RUSSIAN HELP ON POW/MIA'S WELCOME

What I would like to ask you specifically about today deals with the embargo—lifting of the embargo on Vietnam. And there is a report that was out by the *New York Times* that stated that there was apparently a leaked cable that suggested members of your State Department were discouraging the Russian counterparts from cooperating with our MIA/POW task force, in that we actually did not want—the message that was apparently given was that we did not want to hear anymore information about the MIA/POW's. And that actually the last leak that happened, or the last discovery, was actually an embarrassment or a problem with the administration, rather than something that we hoped we would be able to build upon.

Do you have a comment on this cable?

Secretary CHRISTOPHER. I have a comment on the newspaper story. The implication in that one sentence in the story, that somehow the State Department had discouraged the information from being made available, is absolutely inaccurate. We have encouraged the Russians to come forward with any information they have on the situation in Vietnam. We have analyzed the statements as carefully as we could and we have furnished them to the families.

Our whole endeavor here is to provide more information about the POW's and the MIA's. And I just assure you that the implication of that one sentence buried in the story, which indicated in other sentences that we were encouraging this information to be made available, that one sentence is wrong.

VIETNAMESE COOPERATION ON MIA/POW'S

Mr. ROHRABACHER. All right. Mr. Secretary, in terms of the MIA/POW's and the commitment of the administration to come to grips with that issue with the Vietnamese Government, obviously, you agree that they have come forward, enough, at least, to lift the embargo—or you agree with your administration. Did we demand—well, first of all, are you aware that General Needham testified before a subcommittee of this Congress that three areas continued to be off limits to our MIA/POW task force? Were demands made that those areas be made available? Also, did we make demands that the records of our prisons, which this Congressman has been suggesting and asking the administration to make this demand, were those demands made of the—of our Vietnamese counterparts, the demands for the records of the prisons where our POW's were being kept during the war?

Secretary CHRISTOPHER. Mr. Rohrabacher, candidly, I do not know the answer to that, but I will certainly furnish it to you. My general impression is that we have pushed them for information that would be available any place in that country. We have a very

active program. It is going to be amplified, I think, under these new circumstances. We think that the change that was made with respect to the embargo will be conducive to getting more information, rather than less information about our POW's and MIA's.

Mr. ROHRABACHER. General Needham did testify that three areas are off limits. So, I would expect, if you are right, that those areas would now be made available to us.

[The following was subsequently submitted for the record:]

In response to your question, Major General Thomas Needham, Commander of the Joint Task Force—Full Accounting (JTF—FA), has provided me with the following information: "In testimony before Congress, I cited instances where JTF—FA investigation teams could not visit sites in sensitive military areas in Quang Ninh, Khanh Hoa (Cam Ranh Bay), and Song Be Provinces.

As of March 15, 1994 in the 28th Joint Field Activity (JFA), our team has investigated three or four cases in sensitive military areas of Song Be Province, and is making preparations to investigate the remaining case in that area before the end of the JFA.

During a 23 February 94 meeting in Hanoi, the Vietnamese Government asked the United States to provide information detailing JTF—FA investigation requirements in Cam Ranh Bay and Quang Ninh Province. I forwarded letters detailing these requirements to the head of the Vietnamese Office for Seeking Missing Persons (VNOSMP) on 10 March 94. Accordingly, JTF—FA has scheduled investigations of the Khanh Hoa and Quang Ninh Province sites during the 29th JFA (21 April—24 May 94).

Concerning prison records, JTF—FA has a long-standing request, reinforced both during daily operations and periodically at the bimonthly technical meetings, for any and all documents pertaining to unaccounted for Americans held in the prison system. This emphasis has resulted in access to numerous documents from the Vietnamese prison management system, including a list of names and other related documents. In addition, the Vietnamese have permitted our investigators access to prison facilities, cadre, and prison inmates at will.

I hope this information from General Needham is responsive to your questions.

Mr. Secretary, did you—are you aware of a live sighting report, that was also a subject of some controversy at this hearing that I am talking about, that two men claiming to be Vietnamese majors last year reported to our MIA/POW task force in Phnom Penh that there were two American POW's at that time being held in a prison in Vietnam, and that the names of those two Vietnamese majors were subsequently turned over to the Government of Vietnam?

Secretary CHRISTOPHER. Mr. Rohrabacher, I am not aware of that. But once again, as with your other reports, I will make sure that we reply to you about that. If there is some credible report of that kind, I am sure that those who are following this with tremendous diligence would have followed that. But, I cannot tell you that I am personally aware of it.

[The following was subsequently submitted for the record:]

I understand that you have written to Assistant Secretary of Defense Chas Freeman, expressing concern that this live sighting case is not receiving proper attention, and that you are not being kept fully informed of this issue.

The Defense POW/MIA Office (DPMO) has assured us that this case is being treated as a very high priority. They are preparing a detailed report on this case, and I understand that they intend to get this to you at an early date.

I regret any actions, or inactions which might indicate a lack of responsiveness to your interest in this case or any other aspect of the POW/MIA issue. This administration is committed to openness on the POW/MIA issue, with Congress, with the families and with veterans groups. I am confident that you will very soon receive from the Defense Department the information you seek.

Mr. ROHRABACHER. I know my time is up, Mr. Secretary, but I will tell you that the Defense Intelligence Agency was supposedly

going to give me a report on that. We have been waiting and have received no information. Until my office receives information about the questions I have raised in open hearings in Congress, I will continue to raise these issues and other issues that I do not have time to raise right now with every administration's spokesman. Thank you, very much.

Secretary CHRISTOPHER. Thank you.

Chairman HAMILTON. Mr. McCloskey.

COMMENDING ADMINISTRATION'S RECENT BALKANS INITIATIVES

Mr. MCCLOSKEY. Thank you, very much, Mr. Chairman and good morning, Mr. Secretary. I would hope and pray that the earth does not shift from under our feet as I say this, but I want to sincerely and strongly commend you on your recent leadership and resolve in two very significant areas. First, I want to say I was proud of your firm statements as to the need for Western resolve and skepticism regarding Serb denials as they came from the slaughter—and the most tragic slaughter in the market in Sarajevo. As to another area in the Balkans I know and understand, and as we have said it was your leadership and diligence and follow through that resulted in the most important diplomatic recognition of Macedonia. So, from the bottom of my heart—

Secretary CHRISTOPHER. I thank you, very much.

CALL FOR LIFTING THE ARMS EMBARGO

Mr. MCCLOSKEY [continuing]. I thank you so much. Obviously, there is not a lot of time to talk substantively in detail about all of the pending problems that you say are still awaiting us in the Balkans, but I have several basic questions and observations, most immediately, what will happen if the slaughter goes on, even if it is not shelling and particularly what happens in the other areas? I think the need and the requirement for continued U.S. leadership is going to be very important. Particularly, as we all know, the importance of the right to self-defense.

The United States has been involved in this war from the start mostly from the standpoint of handcuffing the Bosnians. I do not have to tell you the Senate is on record, Mr. Secretary, 87 to 9 in favor of a unilateral lifting of the embargo by the United States by the Clinton administration. Hopefully, there will be minimal further loss of life as we work together on this. But, I would appreciate your comment on that.

DOUBTS ON PARTITION PLAN

As to the partition plan, I know the administration shares my skepticism as to what is immediately on the table for the Bosnians. I guess it would be my hope somehow that we could show leadership and resolve for a sovereign Bosnia in keeping with international law, the U.N. Charter, basic humanitarian principles, even if it would have to be confederated into Serb, Croatian and Muslim areas. I would appreciate your comment on that.

MUSLIM-CROATIAN RECONCILIATION

I am very proud of your recent efforts in brokering a better relationship between the Croats and the Muslims. I hate to use that term because the Muslims are a multiethnic society. But, we all know as we talk, there are people living under miserable and wretched conditions in Bosnia. There is the conflict—the siege going on around Vitez. If you could comment on the prospect of a settlement there. I guess there is a settlement of sorts, but how is that implemented?

And as to Macedonia, the recognition has been achieved. Could you comment on Macedonia's immediate prospects as to hearing from the United States as to the implementation of diplomatic relations, and normal economic and trade relationships.

Again, Mr. Secretary, I want to thank you so much.

PROSPECTS FOR BOSNIAN SETTLEMENT

Secretary CHRISTOPHER. Thank you, Mr. McCloskey. Probably the best way I can answer you is to say that I believe that the highest priority at the present time ought to be to press forward with the peace negotiations, and the President has directed me to take a more active role in this and to pursue it with great diligence.

As a first step in this, we are going to be meeting, as I did earlier this week, with the members of the Bosnian Government—and I, too, prefer that description—to determine what their reasonable requirements are and how we can be helpful to them in the negotiations. We do not intend to impose a settlement on them. But, I think if we can understand what their reasonable requirements are, that will enable us to try to be helpful to them in the negotiations.

We are pursuing the openings that have been brought by the momentum of the Sarajevo event and by the new credibility. We are pursuing every opening that we can find. At the moment, I think there is considerable promise to the rapprochement between—a possible rapprochement between the Croats in Bosnia and the Bosnian Government forces. We are going to continue to pursue that, Mr. McCloskey, because that is such a promising avenue. It would solve a number of problems. It would make implementation easier. It would preserve part of the multiethnic society. It would provide an opening to the sea for the Bosnian Government. It has other advantages as well.

I cannot tell you whether that is going to succeed, but I think that deserves a lot of work at the present time. So, I think activity on the negotiation front probably has the highest priority.

That does not mean that we should not try to pursue results as favorable as the Sarajevo result has been up to the present time. As you know, NATO has indicated priority to two other areas: opening the airport at Tuzla and providing relief for the Canadian company in Sebnica.

I am glad to note this morning, perhaps as a result in part of our efforts, that there has been a cease-fire negotiated between the Croats and the Bosnian Governments. We have been many times disappointed by cease-fires that are not obeyed. There may

be some reasons why this is obeyed, at least as long as the negotiations between the two entities have the promise that they now have.

So, I believe that that is the best answer that I can give at the present time. Continued pressure, both with respect to negotiations and to find ways, if we can, to extend the peaceful conditions that have been created in Sarajevo. I do not want to predict any instant solutions here. The circumstances in Sarajevo were quite special. Also, there were 4,000 troops on the ground, which enabled NATO to do things that they otherwise would not have been able to do.

MACEDONIA

On the Macedonia question, Mr. McCloskey, the United States did signal that it was prepared to recognize, does recognize Macedonia. A letter has gone to President Gligorov indicating certain things that should be done before diplomatic relations are fully established. Reply has been received. That reply is being analyzed. It is a fairly complex—it was a complex letter to him and a somewhat complex reply. But, we are moving down that course because we think it is very important to try to ensure that the dreadful fighting does not extend to adjacent countries, and one way to do that is to give reassurance to the Macedonians by recognition of them.

Chairman HAMILTON. Mr. Levy.

FOREIGN AID REFORM

Mr. LEVY. Thank you, Chairman Hamilton. Good morning, Mr. Secretary.

Secretary CHRISTOPHER. Good morning, Mr. Levy.

Mr. LEVY. This afternoon, let me begin by saying I think we all agree with what you said in your comments about the need to reform foreign aid generally. An awful lot has happened since 1961.

As unpopular as this may be to say, I am one of a few people here who does not share the distaste of many of my colleagues for earmarking, and I do not share the enthusiasm for the development of these particular objectives and goals by which we would then dole out foreign aid. Although I have no problem with the development of goals, my sense is that we, as Congress, ought to use them in the development of specific amounts for specific governments in determining who receives how much of our largess. But my sense is that I am in the minority with respect to that, and that is nothing new for me here.

AID TO ISRAEL

But with respect to one of the goals that I know we all share, which is peace and stability in the Middle East. President Clinton has said that foreign aid promotes stability in that part of the world and that it reinforces America's commitment to Israel's security. In your view, how important is it that the United States continue to provide aid to Israel at its current levels? Asked another way, would you make the same sweeping generalization that you made in response to an earlier question with regard to Israel that you did with regard to Russia?

Secretary CHRISTOPHER. With respect to Israel—and I think Mr. Gilman raised this because he asked a number of different questions. I did not get back to it, so I am very glad to have another opportunity.

Israel's security is extremely important to us. It has the highest priority. And I think particularly as Israel takes risks for peace, the United States needs to respond in a way to give reassurance by our aid levels. The aid level proposed for next year is the same as last year, and it is the President's intention to use his best efforts to continue that into next year. I will fight very hard for that because I think that aid is fully justified. I think my comments would be even stronger with respect to that, than with respect to the other matter that you mentioned.

As you know, the Middle East peace process has been extremely important to the United States. The percentage of our aid that goes to Egypt and Israel is a very high percentage; justified, but, nevertheless, a very high percentage. I think it is over \$5 billion that goes to the two countries together. And as I say, the President has indicated, and I have indicated a number of times, it is our intention to make every effort to keep it at that level.

CONTINUED PROBLEM OF TERRORISM

Mr. LEVY. I very much appreciate your comments. I think many of us do. Despite the peace accords, terrorism continues to be a huge problem in Israel. I believe it was your report that came to Congress on January 10, detailing 46 acts of violence by Palestinians against Israelis in the first 4 months after the peace agreement was signed, and there has been a surge of violence against Israelis in the past couple of weeks.

Mr. Arafat, whom I know we have been trying to work with, has specifically condemned only one specific act of violence, and his ability to control terrorist acts by organizations opposed to the peace process certainly seems to be very, very limited. Are there any options open, and maybe you can describe some of them to us, to Israel and the United States if Mr. Arafat proves unable or unwilling to control terrorism?

IMPLEMENTATION OF DECLARATION OF PRINCIPLES

Secretary CHRISTOPHER. Mr. Levy, I think the best anecdote to the violence is to move forward on the peace process. The Declaration of Principles, which was signed here, did have a number of matters that required clarification. And certainly, the transfer of authority from Israel to the Palestinians is, just by definition, a most difficult transition.

I am glad to say that although the process has been a slow one, there is a steady progress toward the transition of authority in Gaza and in Jericho. The Declaration of Principles is being implemented in these discussions. But, I think that is the—that really will be the best way to bring to an end this violence and terror. A number of people, as you correctly say, have been killed in the West Bank area—I think about twice as many Palestinians as Israelis—but any one is too many since the Declaration of Principles. My impression is that Arafat is cooperating with Israel at the present time to reduce this violence to the extent that he can.

But, I think we need to keep our eye on the ball, Mr. Levy, and the ball is achieving an implementation of the Declaration of Principles and then moving to the next stage. There are still many enemies of peace in the Middle East. There are still many of those who want to thwart progress here. I do not put Mr. Arafat in that category. I met with him often enough recently to know that I think he is trying to achieve the peace that is planned for in the Declaration of Principles. But, we have to keep trying to resist those who are the enemies of the peace process, both within that area and outside that area, such as Iran.

Mr. LEVY. I appreciate your comments. I thank you and I will respect the time limit.

Secretary CHRISTOPHER. Thank you, Mr. Levy.

Mr. LEVY. Thank you and thank you, Mr. Chairman.

AID TO RUSSIA AND U.S. INTERESTS

Mr. BERMAN [presiding]. Thank you and thank you, Mr. Secretary. The chairman had to leave just for a moment. He asked me to preside and I can do no less than recognize myself for the next series of questions.

And, again, I want to echo the previous members' commendation for your comments about the importance of aid to Israel. I share those feelings. I am happy to hear your statement on behalf of the administration.

I want to make a comment, then ask you a question. The comment: in the context of some of the debate on the Strobe Talbott confirmation as your Deputy Secretary of State. The noise level on the issue has been heightened in the wake of the disclosures about Mr. Ames. I certainly hope he gets every bit of justice that he deserves. I certainly hope that we can improve our methods for detecting people like that in our own intelligence agencies who would sell out this country. And I certainly hope that we do not, in the wake of this, lessen our own efforts to learn what we can about what is going on in other capitals, particularly in countries which possess the kinds of awesome military power and potential threats to our security that exist in Russia.

But as I listen to the puffed up, self-righteous statements of certain officials, most of whom would seem to reside in the other House, regarding what we should now be doing, almost to the point of people calling for ending diplomatic relationships, I am worried that people are forgetting the big picture. You are not. You spoke to it in your initial comments.

The fact is that Russia and other Republics of the former Soviet Union possess thousands of nuclear weapons and a capability for delivery of those nuclear weapons. They represent successors to a government that enslaved not only millions and millions of its own people, but was expansionist and sought to envelop its control over many other people, and was a direct threat to our security.

I cannot think of any foreign policy issue that is more important than doing what we need to do to ensure the transition toward democracy, toward the kind of economic systems that promote that kind of freedom, and of cooperation and coexistence, which I believe comes best in the democratic context. I cannot tell you to what extent our foreign assistance will help to achieve that, to what extent

it is effective enough. I am not so wise to know every step to make that happen.

But, I do think that every decision we make has to be in the context of doing everything we can to ensure that transition goes through. I know that everything we want to do domestically depends on ensuring that, because we see the situation we have been left in from this cold war in terms of what we cannot do in this country because of deficits that have been accumulated to protect national security. And it would just be so much folly to let any specific occurrence, as distasteful as it might be, cause us to forget that big picture.

IMPORTANCE OF FOREIGN AFFAIRS BUDGET

And now, let me just ask my question. We are going to have to defend the foreign affairs budget in the Budget Committee and in the budget resolution that comes up. We have a State Department bill that will soon be going to conference where there are differences between the House and Senate version in terms of the amount of funding that is authorized. We know the context in which your budget is presented to this Congress.

While it may look like an increase, in reality, this budget is \$4 billion less in 150 function for foreign assistance than the budget was in 1985, a reduction to \$20.9 billion from \$24.5 billion, and that does not count inflation. So in reality, the cut is much greater than that. The whole foreign affairs operation is .25 percent, one-quarter of 1 percent, of gross national product. It is less than 2 percent of our total expenditures.

I would like you to speak just once again—you have touched on it—but once again to your budget, to the different levels that the House and Senate bills have on the authorization for State Department funding, and the importance on which you and this administration place this particular issue.

Secretary CHRISTOPHER. Well, Congressman, I may be a biased source, but I think that the foreign affairs budget is critical to the U.S. security over time. The funding levels that we have sought, as you indicate, are only about 1 percent of the total budget. They represent a very small part. But, I would say it is a critical part of our budget because they determine whether or not we will be successful in our international relations.

There are so many ways in which the cost of peace are far less than the cost of war. There are so many ways in which the dollar spent on this budget are very good investments for the American people. So, I welcome your comment with respect to Russia and I very much welcome your comment here. We hope that the authorization bill can be expanded in a way to take into account the budget that we have sent up, that is the fiscal year 1995 budget.

We will be prepared to work with the Congress all throughout the year to carry out what we think are the highest priorities of American foreign policy, all of which really is essential to our national security. I have listed these six priority items for national security, but there are also longer-term goals which are necessary for the safety of the United States.

I think we should not try to separate as much as we do our foreign and domestic budgets. They have become more and more

intertwined over time, and I think that the necessity of our foreign expenditures is in the most fundamental terms, decisive for the future of the country. So, I welcome your support and I look forward to working with you to try to maintain these levels.

Mr. BERMAN. Mr. Bereuter.

REDUCTION IN P.L. 480 ASSISTANCE

Mr. BEREUTER. Thank you, very much, Mr. Chairman. Mr. Secretary, I join in the welcome of you here today and it would be tempting to focus on a number of foreign policy issues, but this is the one day we have for the budget in detail and I will limit my remarks to two related items.

Mr. Gilman has already spoke about the sharp reduction, \$219 million, in the Public Law 480 program, the Food for Peace Program. I heard your response. I am disturbed that there seems to be in the budget a diminution of attention to addressing the serious problems of hunger and food insecurity in the world, despite assertions to the contrary.

If you look at the numbers, you will find that the Public Law 480 program would be reduced by 17 percent, and major cuts are taking place under this proposal on all three titles of the program. And, there will be a commensurate impact on allied programs, like the highly successful Farmer to Farmer program. Within the 150 account, the Public Law 480 accounts for substantially more than 50 percent of the total dollar cuts in fiscal year 1995 in all the regular programs.

Mr. Chairman, I have a letter I would like to submit for the record from 17 hunger charitable and agriculture organizations. I would ask unanimous consent to do so.

Chairman HAMILTON [presiding]. Without objection, so ordered.

[The letter of Alliance for Food Aid follows:]

ALLIANCE FOR FOOD AID
February 15, 1994.

The Honorable WILLIAM JEFFERSON CLINTON,
President, The White House, Washington, DC.

DEAR PRESIDENT CLINTON: In the Fiscal Year 1995 Budget recently submitted to Congress, funding for the Public Law 480 "Food for Peace Program" is reduced by 17 percent. The Food for Peace Program is the main, if not only, source of funds to support U.S. food assistance efforts overseas and to combat hunger and its causes. We therefore respectfully ask you to restore funding for P.L. 480 to the FY 1994 levels.

The Food for Peace Program strengthens economies, both here and abroad. Nearly all of the funds are spent in the United States to purchase and to process agricultural commodities and to provide transportation and related services. The commodities are provided to the most food insecure countries and are used in programs which help to improve the lives of people who are at great risk.

As our nation's post-cold war priorities are developed, food aid has an important role to play. One-fifth of the world's population cannot produce or afford to purchase adequate amounts of food to meet their basic needs. When people must focus on day-to-day survival, they cannot overcome the cycle of poverty or lead healthy, productive lives. Even though a developing country or emerging democracy may be making strides toward market reform, the country will not be able to achieve broad-based economic growth and stability if large segments of its population are poor and hungry.

A commitment to Food for Peace is important now, more than ever. In recent years, due to the increased frequency of civil strife and natural disasters, food aid needs have far outstripped the capacity of the P.L. 480 program. Over the past 2

years, the United States has relied heavily on surplus agricultural commodities to supplement P.L. 480 funds in order to respond to food shortages in the former Soviet Union and Yugoslavia, the crisis in Somalia, and the severe drought in 11 southern African countries. However, U.S. surplus commodities are no longer available to supplement the P.L. 480 program and U.S. food assistance shipments are rapidly declining. Total food aid tonnage, P.L. 480 and surplus commodities combined, will be nearly 30 percent, or 2 million metric tons, less in FY 1994 than in FY 1993.

If further cuts are made in P.L. 480, we are concerned that the United States will no longer be able to play the significant role in alleviating world hunger and responding to emergencies, which you referred to so eloquently in your address before the United Nation's General Assembly last fall. We urge you to renew our Nation's commitment to the Food for Peace Program.

Sincerely,

Ralph S. Watts, President, Adventist Development & Relief Agency International; C. James Patti, President, Maritime Institute for research and Industrial Development; Ronnie G. Gollehon, President, Agricultural Cooperative Development International; Philip Johnston, President, CARE; Gloria Cataneo Rudman, Executive Director, American Maritime Congress; Charles F. MacCormack, President, Save the Children; Robert Seiple, President, World Vision U.S.; Pete Wenstrand, President, National Corn Growers Association; John E. gherty, President, Land O'Lakes; Kenneth Hackett, Executive Director, Catholic Relief Services; Betsy Faga, President, Protein Grain Products International; David Graves, President, Rice Millers' Association; Judy Olson, President, National Association of Wheat Growers; Alexander Rondos, Executive Director, International Orthodox Christian Charities; Ellen S. Levinson, Executive Director, Coalition for Food Aid; Harold Blain, Administrator, USA Dry Pea & Lentil Industry; James L. Henry, President, Transportation Institute; Leland Swenson, President, National Farmers Union; Robert E. Barrow, Master, National Grange; Peggy Sheehan, Chief Operating Officer, Cooperative Business International; Roy Henwood, President, Millers' National Federation; Larry Diedrich, President, American Soybean Association; Talmage Simpkins, Director, AFL-CIO Maritime Committee; Gerald Lacey, President, National Barley Growers Association; Harry G. Plomarity, President, Texas Ports Association; Joseph L. Valenti, President, Florida Port Council; C. Payne Lucas, President, Africare; Sheldon Hauck, President, National Oilseeds Producers' Association; John Gordley, President, Export Processors Industry Council; and Wayne Boutwell, President, National Council of Farmer Cooperatives.

REDUCTIONS IN FOOD AID TO AFRICA

Mr. BEREUTER. Thank you, Mr. Chairman. This letter shows, among other things, that the total food tonnage from Public Law 480 and the surplus commodity programs combined will be nearly 30 percent less this year than the previous fiscal year.

I am concerned about the impact of these cuts, of course, in Africa. Data from the Congressional Research Service shows that the total commodity value of food aid to Africa was \$460 million in fiscal year 1992, \$326 million in fiscal year 1993, \$189 million planned in fiscal year 1994. You see the downward trend. It is a sharp one. And the total Public Law 480 resources will fall again dramatically, drastically again in 1995 under this proposal.

Now, I know that your major problems may be the people with green eye shades down in OMB. They do not see things too clearly down there at times. And, if they are unhappy with the amount of money we waste on cargo preference, I understand that. Sometimes it costs us more to move the food to Africa than the food, itself,

cost. But still, it is going to have a dramatic impact upon people in Africa.

ELIMINATION OF AFRICAN DEVELOPMENT PROGRAM

The second related point that I would make in addition to my concern about the reduction here, which comes at a time when the nation's Federal granaries are nearly empty, so we are not going to be able to use surplus commodities to supplement the Public Law 480 program—the second point is the elimination of the Development Fund for Africa. This is an earmark that I intend to put back in. I think I have bipartisan support to do that.

It is crucial, it seems to me, that we assure that we not have a reduction in the funds for Africa development. Even if we do not have a famine, and that would be our hope, still the amount of money available for developmental activities under Title III will be sharply cut.

BUDGET VIOLATES 1990 FARM ACT

Finally, as a related item, I would remind the Department and OMB that the Farm Program legislation of 1990, which we passed, required that 40 percent of the total money going for Title I and Title III be given as a minimum to Title III. Your budget violates the 1990 Farm Act, and it has violated in the previous 3 years. So, I want to bring that back up. There is a minimum requirement that 40 percent go to Title I and 40 percent go to Title III.

Mr. Chairman, I would welcome any kind of response that the Secretary would have. Thank you, very much, for listening.

FOOD ASSISTANCE LEVELS

Secretary CHRISTOPHER. Congressman, let me say I certainly appreciate your support for the Public Law 480 program and your desire that it be increased. It is certainly a very laudatory program.

One thing I would say just by way of mitigation of your comments is that funding for emergency feeding programs, I understand, will be maintained at last year's level. In addition, there are a number of encouragements of agricultural exports which are contained in programs of other departments, the Department of Agriculture and the Department of Commerce.

But that does not gainsay your central point, sir, and I will continue to work for an increase in those funds if we can possibly do so.

MAINTAINING AID LEVELS FOR AFRICA

With respect to aid for Africa, my understanding is that our overall aid to Africa is roughly the same as projected this year for last year. At least our requests are roughly the same. There may be individual programs that have been changed but in the course of the budget preparations, I made it a very strong part of my advocacy to try to maintain aid for Africa at levels of last year despite a great deal of pressure on the budget.

I think we cannot overlook the obligations we have and, as you look down from the top of that continent, just one place after another represents a drastic emergency situation when you are talk-

ing about the Sudan or Ethiopia or Angola or Somalia. One country after another. Burundi. It presents just a dramatic need for assistance.

So we are doing all we can within the context of the budgetary limitations that have to be there if we are going to carry out the President's deficit reduction program.

Chairman HAMILTON. Mr. Gilman.

Mr. GILMAN. Mr. Chairman, I regret that I am going to have to go on to another meeting but I do ask unanimous consent that members be afforded the opportunity to submit written questions to the Secretary so that the responses can be included in our hearing record.

Chairman HAMILTON. Without objection, it will be so ordered.

Mr. GILMAN. Thank you.

Chairman HAMILTON. The Chair has the following members: Mr. Fingerhut, Ms. Snowe, Ms. McKinney, Mr. Roth, Mr. Oberstar and Mr. Wynn and maybe one or two others who will come back in and the Secretary's time is getting limited here so we will have to move on.

Mr. Fingerhut.

CONSOLIDATING PUBLIC SUPPORT FOR FOREIGN AID

Mr. FINGERHUT. Thank you, Mr. Chairman.

Mr. Secretary, let me say that I deeply appreciate all the courtesies that you and the Department have extended this freshman member throughout this last year. It has really been extraordinary.

I have two questions and in keeping with tradition I will ask them both and try to cram them into 5 minutes and make them look related so we can give you a chance then to respond to them both.

They both relate to the subject of the foreign aid reform legislation which the administration has proposed and which in your testimony you indicated is a top priority.

The first is a broader question. As you know, the subject of foreign aid is one of the least understood and therefore the least popular items in our Federal budget for those of us who are required to go back and explain it and answer questions to our constituents.

I raised this subject in a conversation with Mr. Atwood when he was here and have received very prompt follow-up from people within AID and the Department but I want to raise it with you personally. And that is this: we must take this opportunity—the consideration of a foreign aid reform bill—to broaden the dialogue with the American people on the strategic importance to this country of foreign aid. We cannot work only on an inside the Beltway strategy in passing this legislation but must also pursue a country-wide strategy in which we work to improve our communication to the public and thus the public's understanding of the true strategic importance of a foreign aid package to this country.

I would be anxious to hear any ideas you have on that subject.

RATIONALE FOR AID TO ISRAEL

The second question relates specifically to the categories within your foreign aid bill and also to the subject of aid to Israel which has been raised.

When I discuss the subject of the foreign aid package to Israel with my constituents, I always emphasize first and foremost the strategic importance of that democracy to the United States' security interests around the world. And only in later parts of the discussion will I get to the subject of peace and how we are trying to help promote peace in the Middle East.

Yet in the foreign aid reform bill, all of the aid to the Middle East, Israel and Egypt, is placed under the category of promoting peace.

I wonder if that is not conveying a different message than we wish to convey about the strategic importance of the democracy and the open election processes in the Middle East.

FOREIGN AID ADVANCES U.S. INTERESTS

Secretary CHRISTOPHER. Thank you, Congressman. I am very glad to see that you are doing some of our work for us or joint work, is it not?

With respect to the first question, let me say I think that at least the beginning of wisdom here is to recognize that we are not talking about foreign aid, we are talking about in many instances, indeed, most instances, about the international affairs budget which serves the United States' interests. That is certainly true of money that is given to promote democracy abroad because it is my conviction and I think it is a provable fact that democracies are better allies, they are better trading partners, they promote stability around the world, which keeps us from having to spend more money elsewhere.

The same would be true to the promotion of peace. As I said earlier, the costs of peace are so much less than the cost of waging war, even limited, narrow wars. If you look at the cost of our endeavor in Kuwait and compare it to the costs of our work in the Middle East peace process, the Kuwait costs, even though they were reimbursed by other countries, dwarf how much we spent in the Middle East peace process.

So I think one thing I would say is that we ought to in our advocacy both inside the Beltway and outside the Beltway recognize that we are talking about an international operations budget which has many aspects to it, including right at the top of the list promoting trade and development. But when we promote sustainable development in a country that has not yet reached the point of being a major trading partner, we need to look down the road and see what happens in the future.

Our earlier years' aid to Korea has returned to us the entire cost of, I guess, two decades of aid to Korea is returned to us in trade every year. The investments that we made in Tunisia have brought that country to being a major positive factor in Northern Africa. So we see very tangible benefits of our foreign aid program and that is what I think we ought to emphasize to the people both inside and outside the beltway.

As far as emphasizing democracy as well as peace in the Middle East, I think the first step here has to be to end the conflict which has monopolized the attention of most of the countries in that area. But as we move through that process it is clear that we need more representative governments there if we are going to have long-term

stability and I certainly agree with you, agree with the direction there.

You can see the countries that are getting in the most difficulty there I think have been ones that have been unresponsive, in many instances unresponsive to their citizens.

I appreciate your overall thoughts on how we ought to project our support for foreign aid and we will look forward to working with you.

Someone once told me that had more experience with the press than I that if somebody asks you two questions you can choose which one you want to answer. I am not sure I have chosen one or the other, so if you want to follow up, is there a second half of that you want me to address further, Mr. Fingerhut?

AID TO ISRAEL AND U.S. STRATEGIC INTERESTS

Mr. FINGERHUT. I recognize and appreciate your time and that there are many other members here who want to address it. The specific question, the second part, was the placement of the entire aid to Israel package within the promoting peace section of the foreign aid reform bill and my concern that that does not accurately reflect our strategic interests in the alliance that we have with the State of Israel.

Secretary CHRISTOPHER. Well, I tried to address that as well as I could. There is a certain categorization that may not be absolutely perfect because I think when we are promoting peace in that area we provide the basis for over the longer term promoting democracy so I would say that the category is, generally speaking, accurate but that in the longer term we obviously will be promoting democracy there as well.

Mr. FINGERHUT. All right. Thank you for your response.

And on the first point, I really do view this as an extraordinary opportunity between the administration, you, Mr. Secretary, and the Congress to make the case for America's international security interests in foreign affairs and I hope that the Department will, at the highest levels, consider that as we move forward.

Secretary CHRISTOPHER. Thank you very much.

Chairman HAMILTON. Ms. Snowe.

SERIOUS NATURE OF ESPIONAGE CASE

Ms. SNOWE. Thank you, Mr. Chairman.

I want to welcome you, Mr. Secretary.

Secretary CHRISTOPHER. Thank you.

Ms. SNOWE. I will very quickly address two issues unrelated but first I want to make a statement concerning the espionage case.

I just think it is very important that this administration does not proceed business as usual with Russia irrespective of what kind of response they give, whether it is appropriate or not. We are obviously giving them billions of dollars, this is going to cost us billions of dollars, and of course it has already cost 10 lives.

So I know that strong public statements can be made about this by the administration but at the same time doing something quite differently privately.

So I just think that it is important for the administration to know that we regard this very seriously and we cannot maintain the status quo, disregarding the impact of this breach of security.

RECOGNITION OF FORMER YUGOSLAV REPUBLIC OF MACEDONIA

The second issue is the recognition of the former Yugoslav Republic of Macedonia and I would like to have you comment and also on the previous issue that I mentioned about why the administration chose to recognize the Yugoslav Republic without demanding concessions from that Republic, knowing the impact it will have on our relations with Greece, knowing obviously that this is a very serious issue to Greece in our relations with that country and what it has meant to this country in terms of how the Yugoslav Republic has approached this entire issue.

So it comes as a surprise, obviously, that we recognize the Republic at this time, two, that lost our leverage in demanding concessions.

Now, I know in the statement that was issued by the administration, it said that we hope that this will encourage flexibility in addressing these issues but I think that the opposite is true.

Would you care to comment?

U.S. RESPONSE TO ESPIONAGE CASE

Secretary CHRISTOPHER. Well, on the first question you raised, I have said here this morning and I repeat that we take this issue very seriously. We are protesting it. There are sensitive discussions going on now as to what actions the Russians should take and we are quite determined on that front.

But I would also emphasize that our aid to Russia is not charity. We do it only because it is in our best interests and I would urge you to join with me in testing whatever we do there by whether or not what we do is in the best interests of the United States, whether it serves our long-term interests.

At the present time, my judgment is that it is important to keep reform moving forward there all the way across the board, political reform, economic reform and foreign policy reform, because it serves the interests of the United States and not for any other reason.

But that is not to underestimate this episode. We are not naive about it, we do not have any illusions about the Russians. There are forces there that reflect the old days and the important thing for us to do is to keep those forces from gaining sway there, to keep them from emerging.

RECOGNITION OF MACEDONIA

With respect to the recognition of Macedonia, that was a decision the President took after very careful consideration of the pros and cons. As you know, I am sure, Congresswoman, the European Community, the countries closest to Macedonia and with Greece as being a member of the community, have all accorded recognition to Macedonia because they thought that it had met the necessary tests.

The United States has 300 troops in Macedonia and we believed that it was time to recognize Macedonia with a letter to President Gligorov that required a response on a number of issues, including a request for cooperation with respect to the name and flag. We do not take a position on the name and flag and seal. We hope that can be worked out between the parties. We would not expect to use the name of Macedonia in recognition, we would expect to be calling it the Former Republic of Yugoslavia.

We support the negotiations that are going on chaired by former Secretary of State Vance to try to work out the technical questions involving the seal of the country and the flag of the country. But President Clinton decided that in the interests of ensuring the security of Macedonia and preventing the war from—to spread to that area because of the progress that that country has made and because of the recognition accorded by all of our allies in Europe, that it was timely for the United States to do so. But we will continue to work on trying to reduce the tensions between Greece and Macedonia over the flag and the seal, as well as to avoid any problems arising over the name.

Ms. SNOWE. Well, I hope that is the case, that we are going to play a significant role in that regard, given the impact that this decision has already made.

And as far as the spy case is concerned, again, all I can say is that it does bother me a little bit to see the headlines—and I know you do not write the headlines in the newspapers but it says, “arrest seen having little effect on U.S.-Russia relations” and I do not think that is the message that we want to be conveying, given the severity of this issue.

Thank you.

Chairman HAMILTON. Ms. McKinney.

STATUS OF GOVERNOR'S ISLAND ACCORD

Ms. MCKINNEY. Thank you, Mr. Chairman.

Mr. Secretary, you know that I am interested in Haiti and the return of Aristide.

Could you tell me if the Governor's Island Accord is still the framework for resolving the crisis there?

And, if so, where are we and, if not, what is?

Secretary CHRISTOPHER. Yes. The Governor's Island Accord is still, we think, the most desirable framework. The goal of the United States is to restore democracy and provide for the return of President Aristide. That is point number one.

I would say point number two is that we think that the maximum pressure needs to be put on the military authorities, Mr. Francois and General Cedras, to leave the country so that we can have the return to a constitutional democracy.

We think that the next step that needs to be taken is to have a prime minister appointed so that governmental functions can be carried out there and so that there can be a preparation for the return of President Aristide.

There are some very severe sanctions in effect looking to that end at the present time but it has not accomplished the purpose up to this point. There is a group of parliamentarians that represent a broad spectrum of Haiti, a number of supporters of Presi-

dent Aristide, more conservative elements, who are trying to form a constitutional government and we have been encouraging President Aristide to meet with that group of parliamentarians which is basically a centrist group to see if they can come into agreement on the naming of a prime minister.

I think until a prime minister is named and until a constitutional government is formed the focus of the sanctions tends to be rather a vague focus, so we would like to be able to focus the sanctions presently in effect and additional sanctions on a governmental process that has some possibility, some pragmatic function in the future.

We are going to continue to work in that vein. I am reassured that this so-called group of parliamentarians, this centrist group, has as their goal the restoration of democracy and the return of President Aristide as well.

It is a most difficult situation. We hope to get enough leverage with respect to the military men so that they either leave the country or leave their posts so that you can provide for the return of democracy and for the return of President Aristide.

DIVERSITY AT DEPARTMENT OF STATE

Ms. McKINNEY. Thank you, Mr. Secretary.

I am also concerned about diversity in the personnel at State Department. I am wondering what are the concrete steps that you are taking to assure that minorities, particularly African-Americans, are adequately present at State Department headquarters as well as in our missions abroad.

Secretary CHRISTOPHER. I am concerned about that, too, and I am not satisfied with the results that we have achieved to this point.

We have appointed a new head of that program, the EEO program at the State Department, Evelyn Day, and I have encouraged her to suggest new programs for us to carry out.

My own observation of it, Congresswoman, is that we do quite well at the entry levels but as so often happens, and I have witnessed this in private life as well, the retention and promotion is a greater problem than the entry levels.

If I look at the entering classes, we are doing reasonably well, not as well as we should, but we have to find ways to improve our retention capabilities and have to find ways to ensure promotion. The upper levels of the foreign service are really not adequately diverse, not by any means, and I regret that very much.

There is a very high competition for the ablest people from minority ranks and that may be one of the reasons why they are leaving the State Department but we must find better ways to retain and promote minorities all the way across the board and I am determined that by the time when I leave the State Department they will say that at least I worked very hard to see if I could not redress those balances, both at the lower level but particularly to improve the mid-level representation.

Ms. McKINNEY. Thank you, Mr. Secretary.

Secretary CHRISTOPHER. Thank you.

Ms. McKINNEY. Thank you, Mr. Chairman.

Chairman HAMILTON. We have Mr. Roth, Mr. Wynn, Mr. Payne left.

Mr. Secretary, could you take at least a question from each of those?

Secretary CHRISTOPHER. Yes.

Chairman HAMILTON. All right. Thank you.

Secretary CHRISTOPHER. We have 15 minutes. I can just about do it.

Chairman HAMILTON. Mr. Roth.

IMPACT OF EXPORT CONTROLS ON U.S. MANUFACTURERS

Mr. ROTH. Thank you, Mr. Chairman.

I appreciate your indulgence, Mr. Secretary. I appreciate you being so forthcoming.

Basically, the question I have is this: in your statement you talk about promoting U.S. prosperity. I think that is an excellent initiative for you to take.

But we are losing some \$30 billion in lost exports because of our export control laws and these laws certainly are outmoded.

Now, COCOM is going to expire March 31 and a number of us are asking why are we agreeing to "national discretion" for a post-COCOM policy. Other countries are not going to comply with continuing COCOM rules. It is only going to be the United States and we will have the age-old struggle of unilateral controls, our companies will not be able to sell overseas and these other countries will buy from the Japanese, Germans or whoever and we are just going to be shooting ourselves in the foot again.

Secretary CHRISTOPHER. Mr. Roth, I happened to be with the President last night when he spoke to the business council and he announced there, I am not sure whether it has happened today, but that he was going to send up to Capitol Hill a new Export Administration Act which provides for the promotion of our exports with a number of very positive programs for the promotion of exports.

The President went on to say, though, to the businessmen and women who were there that he felt the need to retain a certain discretion to prevent exports to countries such as Iran and Iraq and other international outlaws. He welcomed comments from the business community and I welcome them from you if after you see the act you think that there is an improper retention of Presidential authority.

For myself, I think we would want to do everything we could to encourage exports but I think it is important that the President be able to retain authority to deal with countries which are international outlaws and prevent our aiding them indirectly.

Mr. ROTH. Mr. Secretary, I think that is a good initiative but the problem is our own bureaucracy: State, Defense, all these seven different agencies fighting with each other. That is our biggest problem.

And what concerns me and others who have been working with the Export Administration Act for many years now is that it is just going to inhibit our exporters. And that is why we would like to bring our export control law into the modern world.

We cannot sell computers to the Soviets but we are giving them billions of dollars to modernize. I mean, the right hand does not know what the left hand is doing many times.

Secretary CHRISTOPHER. The new statute greatly eases restrictions on the sale of computers. We are trying very hard to streamline our processes within Defense, Commerce and the State Department.

There are responsibilities that we have to carry out, Mr. Roth, but would like to work with the committee to see, especially under the new act, if we cannot streamline our processes so matters are not denied by being held up. None of us would want to deny—

Mr. ROTH. I know time is important here but this is a very important issue. As long as we talk about streamlining our process but leave it to the bureaucrats, it is never going to work, you see, Mr. Secretary, because none of these people in the bureaucracy will take an initiative and they are always going to say no. Because if they say no, they do not get into trouble. But if they say yes, they might get into trouble. See, that is the problem. And that is why we have to get these old laws out of the way.

But as I understand you, you said if we look at this Export Administration Act, if we have problems with it, we want to know how to improve it, we can pick up the phone and call you and you are going to help us.

Secretary CHRISTOPHER. Absolutely.

Mr. ROTH. Is that right?

Secretary CHRISTOPHER. We will be very glad to work with you on that.

Mr. ROTH. I really appreciate this Q and A session we had here this morning.

Secretary CHRISTOPHER. Thank you.

Chairman HAMILTON. OK. Mr. Oberstar, Mr. Engel, Mr. Wynn, Mr. Payne. And the Secretary is—we are already intruding pretty heavily on his time here.

Mr. Oberstar.

COMMENDING FOREIGN POLICY ACHIEVEMENTS

Mr. OBERSTAR. Thank you, Mr. Chairman.

Mr. Secretary, welcome.

Secretary CHRISTOPHER. Thank you.

Mr. OBERSTAR. I join in the chorus of plaudits about your and the President's achievements in foreign policy that have been significant. They are important.

On page 10, I commend your commitment to support of our export industries by directing our embassies, as other countries do theirs, to be supportive of U.S. interests abroad, commercial interests abroad, and I urge you to continue that policy.

THE SPY CASE AND RUSSIA POLICY

On Russia, anyone who believes that espionage ended on our side or theirs with the crumbling of the Berlin Wall, the melting of the Iron Curtain and the dissolution of the Soviet Union is either naive or stupid or both and we ought to stop whining about what has happened and be introspective, do a better job of preventing treason and deal with it swiftly when it occurs. And let us not have

a knee jerk reaction as was the description about Afghanistan on both sides, both the Soviets and us.

HAITI

Let me make a comment on Haiti. I am not asking for your response on these things. On Haiti, I do not think that has been a success and I have a lot of experience on Haiti and I would be willing to share it but no one in your administration has asked.

SUPPORT FOR OVERALL SETTLEMENT IN BOSNIA

On Bosnia, is it an element of administration policy to achieve a segmented settlement such as cease-fire and peace between Bosnia and the Republic of Croatia?

Second, is it necessary in any peace accord between Bosnia and Croatia, Bosnia and Serbia, or Yugoslavia as they prefer to call themselves, wrongly, I believe, to yield land won in military conflict?

And, finally, I think your example with Macedonia is a case study in how to be anticipatory and preventive. If that had been a policy followed years ago with respect to the independence vote in Slovenia and Croatia, we would not have had the conflagration in either country or in Bosnia that we see today, so keep up that pace.

But let me go back to Bosnia, segmented settlements and giving up land.

Secretary CHRISTOPHER. Congressman, we do not favor a segmented settlement except as it would lead to an overall settlement. If Croatia and Bosnia could settle their differences within Bosnia, I think that would provide for a confederated entity that might then lead to an overall solution of the problems within Bosnia. We are looking for a total settlement here but, as I mentioned, perhaps you were not in the room, I think if Bosnia and Croatia could get together in Bosnia it would ease the problems, for example, of an outlet to the sea, it would ease the problem of implementation, it would ease the territorial issues of various kinds. So it is only as a step toward an overall settlement.

With respect to giving up land, taken by force, that will really be up to the Bosnian government as to what they think they can achieve at the present time. I would hope that the settlement would provide more land for them than they have at the present time but whether or not it is that they will regard their goals as trying to achieve where they were 2 years ago, is really a question for them. They have not been pressing for that in the negotiations at Geneva at this point.

Mr. OBERSTAR. Thank you.

Mr. Chairman, I would just like to observe that those of us at the end of the question cycle have used up individually less time than those at the beginning of the cycle.

Chairman HAMILTON. Mr. Oberstar, I am aware of that and I think in the future we will probably have to begin at the other end.

Mr. OBERSTAR. Just use the other end of the gavel.

Chairman HAMILTON. I apologize to the gentlemen.

Mr. Engel.

PLIGHT OF ALBANIANS IN KOSOVO

Mr. ENGEL. Thank you, Mr. Chairman.

Mr. Secretary, I am glad that we are finally doing something in Bosnia to curb the Serbian aggression and ethnic cleansing and I commend the administration for moving on that.

On February 11, Under Secretary of State Tarnoff stated, and I quote, "Because of the situation in the Krajina and the unsettled conditions in Kosovo, some of the sanctions against Serbia should remain in place until there is a final settlement in those two areas."

I am very concerned that in our push to divide Bosnia along ethnic lines we might offer to lift the arms embargo against Serbia. I feel very strongly that if self-determination is a necessity for the Serbs in Bosnia, no less should be accorded to the Albanian majority in Kosovo. I would like to take this opportunity to announce that I will introduce legislation that would mandate that there would be no lifting of the embargo against Serbia unless the rights of Albanians are guaranteed in Kosovo. I would like you to please comment on that.

Secretary CHRISTOPHER. I cannot resist challenging the premise of your question. We are not pressing for an ethnic division of Bosnia. We are pressing to see if we cannot bring the killing and fighting to an end and it will really be up to the parties as to how they hope to achieve that. We would hope that an overall entity might remain but that will just have to remain to be seen.

With respect to the sanctions, you can put me in the category of being a late sanctions lifter. I think the sanctions should remain on as long as they can serve an effective purpose. And I think Ambassador Talbott's statement is one that I would associate myself with. I think that sanctions should not be lifted focusing solely on Bosnia but the focus should be on the broader need to prevent a spread of the conflict to other areas of Bosnia.

POLICY TOWARD MACEDONIA

Mr. ENGEL. I could not agree with that more. I am happy to hear you say that.

I want to also identify myself with the remarks made by Ms. Snowe about Macedonia. I think it is very, very important to pressure the Macedonians to make major concessions in terms of using Greek symbols in the flag and their constitution. This may imply aggression and leads one to believe that minorities in their country are not really getting an equal shake. So I want to associate myself with that.

I want to also ask you a question about the Middle East. What can we do to guarantee to Israel that as it makes concessions at the peace table, we are not marching down the primrose path to an inevitable Palestinian state?

Secretary CHRISTOPHER. I cannot resist commenting, Mr. Engel, once again that I do not think it is wise for the United States to pressure a country as small and as new on the international scene as Macedonia. I think we would like to work with them, see if we cannot find an adequate basis for the resolution of this problem,

but I think overt U.S. pressure on this would be ill advised and misunderstood.

The issue with respect to the flag and the seal are ones on which there can be a difference of opinion and I think the way to work it out is in discussions between the two countries presided over by a skilled negotiator like Cyrus Vance.

U.S. DOES NOT SUPPORT PALESTINIAN STATE

Certainly the United States does not support a Palestinian state and I am sure that Prime Minister Rabin, who I worked so closely with, does not have that in his concept. The best way to avoid that is to proceed with the implementation of the declaration of principles, to move forward along the path that the parties themselves have agreed on. Certainly I think the responsible officials of Israel, Prime Minister Rabin and Foreign Minister Peres, are the best judges as to whether or not the steps they have taken are the right ones for Israel. We are helping them try to achieve the results that they want to achieve. I think that is the proper role for the United States in this situation. But we do not certainly support a Palestinian state, as we never have.

Mr. ENGEL. Thank you.

Chairman HAMILTON. Mr. Wynn and then Mr. Payne to conclude. Mr. Wynn.

ASSISTANCE FOR SOUTH AFRICAN ELECTIONS

Mr. WYNN. Thank you, Mr. Chairman.

Mr. Secretary, it is a pleasure to have you here.

Secretary CHRISTOPHER. Thank you.

Mr. WYNN. I will try to be brief. I have two questions.

First, what funds or resources, if any, are being made available to assist in the South African elections and to avoid or mitigate against the violence that is already occurring and that is anticipated?

ENTERPRISE FUND FOR AFRICA

The second question is last October we conducted a hearing on the subject of the enterprise fund for Africa and it is not evident to me in reviewing the budget in a cursory manner that there are any funds earmarked for the purpose of an enterprise fund for Africa and I would certainly ask you to respond on that subject as well.

FUNDS REQUESTED FOR SOUTH AFRICAN ELECTORAL PROCESS

Secretary CHRISTOPHER. With respect to South Africa, my recollection is that we have budgeted someplace between \$30 million and \$40 million to assist South Africa in connection with the electoral process this year. It is very important that election be conducted fairly and that it be carried out in the most responsible way. We know that the leaders there will try to do so but we have an obligation to assist in that regard and will do so.

The only thing we can do to make sure that that election is not only fair but comprehensive, I think the United States will be making efforts to do that and we have made some efforts along those lines and will continue to do so.

Mr. WYNN. Mr. Secretary, just if you could share with me, what are the vehicles for the distribution of that money? Is it through the Government of South Africa? The ANC? Private entities? How is that—that is a significant amount of money for this purpose. How is that money being distributed? Who controls it, basically?

Secretary CHRISTOPHER. You know, you are going to run me out of information here, Mr. Wynn, quite soon but I think the money goes directly to the electoral commission and I will correct that if that is not correct but there is an independent electoral commission and I think our funds in the neighborhood of \$35 million are being made available directly to that commission, which I think would be the appropriate thing to do, so you are not on one side or the other.

AID LEVELS FOR AFRICA

With respect to the other question about the enterprise fund, frankly, I do not carry that detail in my mind. I remember that our aid to Africa this year is about level as to where it was last year and it took a good deal of advocacy to keep it there and I will provide information to you as to how the enterprise fund is treated in the context of the maintenance of overall aid to Africa. I am just sorry I do not remember that.

Mr. WYNN. Thank you, Mr. Secretary. There is a great deal of interest on the part of my constituents for an enterprise fund approach to aid to Africa and certainly any details that you could provide would be most helpful.

Thank you very much.

Secretary CHRISTOPHER. Thank you, Mr. Wynn.

Chairman HAMILTON. Mr. Payne.

U.S. POLICY TOWARD RUSSIA AND BOSNIA

Mr. PAYNE. Thank you very much.

Let me just say that I would like to mention that I concur wholeheartedly with the President in his approach with caution as it relates to the CIA situation. I know that it was difficult. We did win the war against communism, it is going to be hard to win the peace and I think that we should not automatically throw the baby out with the bath water.

Also, I think that situation in Bosnia certainly has improved and I once again commend the President. Originally, I wish that this could have happened a year ago when he first mentioned it but the resolve was not there, the support was not there, but I think that the right moves were made with a lot of firmness and it showed, I think, that it is going to hopefully be a successful resolution.

U.S. POLICY IN AFRICA

Let me just mention three or four other items very quickly and they do not need a response but there will be one or two very quickly.

I feel that we are doing the right thing and hopefully we could push the Liberian peacekeeping effort a little bit more. I know that State did release funds for peacekeeping and that is good.

I think Mozambique is on target also and I think the U.N. is doing a good job there. I think it was less the U.N., I think that

both sides were just tired of fighting and they just all quit. But it seems to be working out.

And I would hope that after April 27 in South Africa that we will have some affirmative programs, primarily with housing and education, to assist there.

The areas that I do think that improvement is needed are the tragedy of Somalia, I wish that we had listened to Boutros Boutros-Ghali when he requested that the U.N. disarm the warring factions when we first went in. Of course, that fell on deaf ears. Had that happened, I think the situation might have been more successful as it is going to conclude, so far as our participation, on March 31.

I do feel that we need to put more pressure on UNITA in Angola, an organization that the U.S. Government policy supported for many years, still creating civil strife. I think that we should be more positive to the Government of Angola and somehow more punitive to the UNITA forces.

In Zaire, I think that we ought to move more affirmatively against Mobutu. I left there about a month ago and the country is dying slowly. I think there needs to be some more activity between the United States, France and Belgium.

In Nigeria, I also feel that we should hold to June 12, the election that was held and then the President was not allowed to sit.

The situation of Islamic fundamentalism, I think that we ought to put more effort into attempting to have coexistence with this new phenomena that is increasing.

HAITI

And, finally, in Haiti, you know, the tragedy of a few days ago that the bodies were not found because the sharks ate the bodies. I think that we are going to have to have a more affirmative activity as relates to Haiti. It was tragic what happened 2 or 3 days ago with a boatload of mainly women and children and so if you could urge the President to do whatever is humanly possible because there simply will be more innocent people, victims of this tragic situation.

Thank you.

U.S. POLICY IN AFRICA

Secretary CHRISTOPHER. Thank you, Mr. Payne. I note how knowledgeable and how well informed you are on the situation, not only in Africa but elsewhere. The countries that you mentioned in Africa are obviously matters of great concern to me.

We have appointed a new representative in Angola who I hope can help achieve some of the purposes that you want to there.

Zaire is a case that worries me greatly because it is going downhill rapidly and we do not seem to be able to persuade Mobutu to step aside, despite the fact the economy of that country is absolutely in ruins.

I appreciate your comments and will certainly take them into account, Mr. Payne.

Thank you very much.

Chairman HAMILTON. Thank you very much, Mr. Secretary. We apologize for keeping you over. We appreciate your patience.

The meeting stands adjourned.

[Whereupon, at 12:36 p.m., the committee was adjourned.]

H.R. 3765—PEACE, PROSPERITY AND DEMOCRACY ACT OF 1994

TUESDAY, MARCH 15, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to call, at 10:12 a.m., in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the committee) presiding.

OPENING STATEMENT OF HON. SAM GEJDENSON

Mr. GEJDENSON [presiding]. The Chairman is detained for a few minutes, and we are going to start the hearing. He will be joining you shortly.

I would like to welcome the witnesses to the committee this morning and express my appreciation for your appearance. This is the second session with private witnesses on foreign aid reform. I do not think I have to inform the witnesses how important the committee considers this issue.

This roundtable hearing will be conducted as a panel discussion. I request the witnesses keep their oral comments to 5 minutes. Any written statements will be made part of the record. And we will start with our old friend, Mr. Armitage.

STATEMENT OF RICHARD ARMITAGE, ARMITAGE AND ASSOCIATES, AND FORMER AMBASSADOR

Mr. ARMITAGE. Thank you, sir. I am delighted to be here. I notice you treat private witnesses a heck of a lot better than you ever treated me in the past. I think I can get to like this.

Mr. GEJDENSON. We always thought you were pretty tough and we think we did not hurt you at all. But this hearing is just starting; you cannot tell until—

Mr. ARMITAGE. Yes, I guess I should hold my comments.

If I may, I will just respond in one sentence answers or so to the four questions that were asked me in the cover letter of Mr. Hamilton. And then, I have a few comments of my own on the bill H.R. 3765 that I would like to add.

The first question I was asked is why is foreign assistance in the U.S. national interest? It seems quite obvious, but it bears repeating, I guess. Every single post-war President has shared an envision of a world made safer and more humane by an America fully engaged across the broad spectrum of human rights and human freedoms. And I think that our position as a world leader allows us in the first instance and in the second, commands us, to have

a full spectrum program, including foreign aid. It is obvious, is it not, that where conditions are relatively stable, where people are enjoying some of the benefits of democracy, then they are less likely to strike out at their neighbors causing instability, etc.

Why is foreign assistance reform needed was the second question. Well, it is needed because the world has changed. And right now, our system is too slow, too cumbersome and too tied up in red tape, not laws, red tape. And I think I will come back to that point if you will allow me, Mr. Gejdenson.

It is quite clear, obviously, that you have to bring in the private sector now. Things have changed since the 1961 Act, and the private sector has to be brought into conditions today. It is a better way to spend our money. They have a lot more money than we do, and I think they can make it go a lot farther.

What practical difference will foreign aid reform make? Well, I think, I cannot say, nor can you. It is a little early yet. We know that in the past, we have had successes with foreign aid: Tunisia, Korea, Israel, and Egypt, for that matter. One will assume that if we have foreign aid reform and we bring in the private sector to a higher degree, make our taxpayers' dollars go farther by using their money along with ours, then, indeed, we will have further success stories. But I think the answer to that question lies a decade or more in the future.

I do not know what kind of reform in foreign aid will best serve U.S. interests. If I had one reform to make, it would be that the Agency for International Development's programs would have no daylight between themselves and the President's objectives, be that President a Republican or a Democrat. But I am afraid that in my view AID has to some extent a theology of its own, and there is often some daylight between a President's program and AID's desired programs.

I have reviewed the bill and, indeed, Mr. Atwood's testimony recently, and find myself on the horns of a dilemma. I have wrestled with you, sir, and Mr. Gilman for the last 12 years trying to get more flexibility for the President, more flexibility for the executive branch, at the expense of the legislative branch. And I must say the present bill certainly has a lot of flexibility for the executive branch. However, it has so much flexibility and, indeed, ambiguity, in my view, that I see nothing but continued long struggles with the U.S. Congress over the direction of foreign aid, and I think that will lead to nothing but bitterness and constipation. Now, I think that the ambiguities, indeed the flexibilities, that I have long argued for are a little too over-emphasized in this case.

You know, I have heard Members of Congress, not your good self, but others of your colleagues have told me privately and, indeed, publicly for years the difficulties they have in justifying foreign aid to constituents back home. Well, it seems to me if you had difficulty justifying foreign aid when we justified it on the basis of our national security interests, or the need to encourage economic development and thereby increase markets, or the need to respond to humanitarian dilemmas, think of the difficulties the Members of Congress are going to have now when they go home and explain to their constituents that they are encouraging economic growth,

reducing population growth, protecting the global environment and, in general, supporting democracy.

So I think that the bill, as written now, is going to lead you to greater difficulties at home and perhaps less support for foreign aid as a general matter. And now I would like to ask some rhetorical questions about the bill as written.

State Department and AID are organized regionally. Indeed, your own committee is more or less organized along regional lines. And yet, the bill does not divvy up monies and assistance along regional lines. So I wonder if the State Department is going to realign itself to take up its proper role in this new foreign aid bill. I wonder if AID is going to realign itself, get away from the regional alignment to be able to be more expert in this bill. And I wonder if the Congress, itself, and the House Foreign Affairs Committee is considering realigning yourself, so you can have the proper statutory oversight.

Finally, I made some comments about the Agency for International Development. I have worked with them before for the last 12 or 13 years; I work with ex-AID members now. I would say individually, I think you would not find a finer group of people or more astute in their specific areas. But there is a great irony here. It seems to me that the collective total of the talents of the AID personnel is somewhat less than the sum of the parts. The organization does not work.

There is a schizophrenia that exists in AID. On the one hand, there are those who want to be involved in mothers and babies programs and nutrition programs, worthy programs all. And there are others who are intent on bringing in the private sector. But you see a wrestling match going on for the soul of the Agency for International Development. And until the wrestling match is resolved and the theology is put in the proper perspective, we are not going to have an organization that is really mission-oriented.

And finally, I hear constantly, even now, that the problem with the Agency for International Development is the laws that prevent them from doing this or the laws that make them do that. My own investigation, when I ran the Russian and NIS AID program, showed that it was not the law that was the problem. It was policy and regulation self-imposed by the Agency for International Development which were the difficult items. And it seems to me that the first thing AID ought to do before taking part in drafting of a bill is to severely scrub its own policies and regulations to try, as they used to say in the military, to become a lean, mean fighting machine.

So thank you very much, Mr. Gejdenson.

[The prepared statement of Mr. Armitage appears in the appendix.]

MR. GEJDENSON. Now Mr. Gilman has an opening statement.

OPENING STATEMENT OF HON. BENJAMIN A. GILMAN

MR. GILMAN. Thank you, Mr. Chairman. I thank the Chairman for scheduling this morning's hearing, and we join in welcoming our distinguished panelists to continue the process of reforming our foreign assistance programs and look forward to hearing the views of our panelists this morning. I also want to particularly welcome

Ambassador Richard Armitage once again before our committee. He is most knowledgeable about our assistance to Russia and the Newly Independent States, and we certainly welcome his views.

Am I permitted now to question the witness?

Mr. GEJDENSON. No. I think we will go through the panel.

Mr. GILMAN. Thank you, Mr. Chairman.

Chairman HAMILTON. OK, thank you, Mr. Gilman. We will proceed with the other witnesses. Mr. Costello.

STATEMENT OF JOHN H. COSTELLO, PRESIDENT, THE CITIZENS NETWORK FOR FOREIGN AFFAIRS

Mr. COSTELLO. Thank you, Mr. Chairman. I want to begin by applauding the administration for putting forward this legislation. H.R. 3765 is a timely and important effort undertaken with much care and much good thinking. It is my deep hope that this effort at fundamental reform will yield real and practical results. And I also hope that you and other members of the leadership of this committee, the House and Senate will be able to move toward a vote on a new authorization before the summer recess and the serious onset of election year politics. I think that we have a window of opportunity here, and I think that hopefully we can take advantage of it.

There are many aspects of the bill worth discussing today, but I am going to highlight just one. Americans must be able to see the relevance of foreign assistance to their own quality of life. They must begin to see the aid equation as one including not only costs and burdens, but also opportunities and economic awards as well. And over the past 40 years, regardless of the importance or validity of the goal—whether it has been feeding people, eradicating disease, containing communism or promoting development—foreign aid has been seen as a net outflow of value.

Now is the time to change the fundamental terms of engagement so that the American people can see U.S. international engagement as having benefits, not merely costs. And broad-based sustainable economic development must become the centerpiece and clear priority of the U.S. foreign assistance strategy, as well as the focus for building American understanding of what foreign assistance is all about. And given this goal, H.R. 3765 has one potential crippling weakness.

Among the many players and interests involved in shaping and implementing U.S. foreign assistance, American enterprise appears to be completely missing.

The bill defines the private sector as private voluntary organizations, cooperatives, credit unions, colleges and universities. However, a new revitalized effort to promote broad-based sustainable economic development must also recognize and include the sector most responsible for economic growth both here at home and around the world.

The fact is that American enterprise provides the unparalleled innovation, creativity, technology and capital investment that generates jobs and opportunities for Americans. The same can and should be true in the developing world.

Economic growth, enterprise development, education and training, the creation of a capital base, the transfer of technology, the

development of vibrant markets in the real private sector must be key objectives of the strategy to promote broadly based sustainable development, and American enterprise can help make that happen.

President Clinton articulated this concept very well in a letter dated February 14 dealing with aid to Russia, in which he said, "My visit to Moscow in January underscored for me a fundamental truth about our efforts to help Russia through its difficult transition to a market democracy: it is private investment, not government assistance, which will provide the surest guarantee of the long-term prosperity of Russia and its people. Government support can only prime the pump, making it possible for companies . . . to establish the partnerships and provide the training and management experience that are so vital to Russia's efforts to transform its economy."

Any new successful model of foreign assistance aimed at promoting sustainable, broadly based economic growth should be grounded in a new partnership, including government, PVO's, cooperatives and universities, along with labor, business enterprise, trade associations and others. This kind of partnership is already working. AID and the Citizens Network, along with Tri-Valley Growers and ACDI, are now engaged in a ground-breaking experiment in private sector participation in the NIS. The Food Systems Restructuring Program brings private investment by U.S. agribusinesses to achieve developmental goals.

And our approach is to work with U.S. businesses making substantial long-term investments in food production, processing, distribution and marketing in the NIS. And we leverage those investments to provide world class training, technical assistance and technology to support the emergence of a vibrant, market driven food system. Our current portfolio matches \$44.5 million of U.S. taxpayer funds with more than \$150 million in American private sector commitments, yielding more than \$200 million worth of inward technical assistance and investment.

And this new approach has already begun to have real impact in the form of jobs and opportunities for American, Russian and Ukrainian workers. American workers are benefiting through the export of millions of dollars worth of food processing, refrigeration and storage equipment. In one project alone, more than 400 jobs will be created for Russians. In another project, over 180 Russian private farmers are generating substantial increases in income and productivity through improvements in breeding, processing, packaging and the marketing of high-quality beef.

The program has potential for enormous success. And clearly, the failure to engage business, labor and other parts of the enterprise sector will create us to miss a real and important opportunity to create new stakeholders for effective foreign assistance.

I want to conclude by voicing by strong support for two distinct but related features of H.R. 3765, which are critically important to the viability and effectiveness of the foreign aid program, and that is the role of women in development and support for development education.

That concludes my remarks. Thank you, Mr. Chairman.

[The prepared statement of Mr. Costello appears in the appendix.]

Chairman HAMILTON. Thank you very much, Mr. Costello. Mr. Fishman.

**STATEMENT OF PHILLIP FISHMAN, ASSISTANT DIRECTOR,
INTERNATIONAL AFFAIRS DEPARTMENT, AMERICAN FED-
ERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGA-
NIZATIONS**

Mr. FISHMAN. Thank you, Mr. Chairman, members of the committee. On behalf of the AFL-CIO, I thank you for the opportunity to share our views on U.S. foreign assistance.

We have had a chance to study the administration's proposed Peace, Prosperity and Democracy Act and are generally pleased with it. We are especially gratified by the administration's emphasis on democracy promotion and broad-based, environmentally sound sustainable development as fundamental goals of U.S. policy.

In our view and experience, independent labor unions are critical to the achievement of both of these objectives. It was no accident that democratic trade unions played an active role in keeping Western Europe free after World War II. That solidarity was key to the Soviet collapse, or that from South Africa to Chile to the Philippines. Wherever democracy is taking hold, free trade unions have been there. They are a pillar of democracy, giving ordinary men and women a voice in their own political destiny.

Although we would like to see more language in the building democracy section, which recognizes the fundamental role, independent labor unions and the freedom of association have in the democratization process, we are comfortable that the proposed language is consistent with this view.

Concerning sustainable development, the AFL-CIO is pleased to see the emphasis on broad-based economic growth and the recognition that sustainable development efforts will be significantly enhanced through the active participation of nongovernment organizations and other mass-based organizations, including labor unions.

It is an overused truism that we live in a global economy. Today, capital flows freely across international borders; technology is almost completely mobile. Exchanges between branches of multinational corporations account for almost half of all world trade. And several international corporate empires now have incomes at their disposal that are greater than the total gross national product of many medium-sized nations.

It has become a simple thing for companies to shop the world for the least expensive, most exploitable and best trained workers. Across the globe, the labor of millions of men, women and children are still obtained by means of force, intimidation or sheer desperation. Many live or die solely at their employer's discretion. Last year's fire at the Cater toy factory in Thailand, in which nearly 200 workers perished, is a tragic illustration of this. These workers are neither players or beneficiaries in the emerging global economy. They are its pawns.

This does not seem to us at least to be a prescription for broad-based equitable sustainable development. Unions are often the only mass-based democratic institution that can counter this darker side of economic globalization. Through participation in trade unions,

workers discovered that there is something that they can do for themselves, short of workplace insurrection or political revolution, which can help improve their daily lives. Through the unglamorous process of organized collective bargaining, workers have the ability themselves to negotiate their own wages and working conditions. By their very nature, unions speak to the economic and social concerns that result in increased personal freedom, economic opportunity, the development of a stable middle-class, and thus a firm ground for modern political democratization.

Finally, let me briefly mention that we are happy to see that workers' rights conditionality made it into the section on the overseas private investment corporation. The job loss language in section 7202 was also something the AFL-CIO strongly supports and is needed to ensure that trade and investment activities do not clash with internationally recognized workers' rights and result in the exports of American jobs. Thank you.

[The prepared statement of Mr. Fishman appears in the appendix.]

Chairman HAMILTON. Thank you very much, Mr. Fishman. Ms. Burkhalter.

STATEMENT OF HOLLY BURKHALTER, WASHINGTON DIRECTOR, HUMAN RIGHTS WATCH

Ms. BURKHALTER. Thank you very much, Chairman Hamilton and thank you for holding this important hearing. My name is Holly Burkhalter. I am Washington Director of Human Rights Watch.

To my understanding, the former chairman of the Human Rights Subcommittee, Mr. Don Fraser, was to have been here at a previous hearing, and I know his written remarks have been included in the previous hearing record, and that he had a chance to meet with you and your staff. But I did want to take this opportunity to thank the Chairman for his contribution to my own thinking about human rights, and I would like to associate my own remarks with his over on the Senate side at another hearing.

I will talk largely this morning about military aid, security assistance generally; leaving the economic assistance questions to others. I do want to speak about police aid, which is very much on my mind.

I would start by asking what is wrong with current human rights law? What is the matter with section 502B? Why would we like to see it reformed? Well, in my view, what is wrong with 502B is that it is basically an all or nothing approach to human rights conditionality. If you will permit me to make an analogy with the current impasse with the Chinese on human rights, I would see it this way: I know that MFN is not the subject of this hearing, but I think the metaphor might be useful in looking at ways we can change human rights laws; to get out of this all or nothing box.

Currently, the administration is threatening China with the trade equivalent of the atomic bomb; that is to say, tariff rates on Chinese products that would virtually eliminate American trade with China. Everybody knows that the administration does not want to drop the bomb. Nobody wants the administration to drop the bomb. The Chinese do not want it dropped. The human rights

community does not want it dropped. The Members of Congress do not want it dropped.

But how are we going to get out of this dilemma? The administration linked through its executive order MFN for China with human rights improvements that the Chinese are demonstrably not taking.

Well, what my organization has recommended for years now is a more targeted and a more effective policy of trade sanctions against China. Instead of putting China, if it does not meet the conditions in the executive branch—in the executive branch executive order, putting them into a column two, exorbitant tariff rate, we shall instead hike their tariffs 5 percent or 10 percent across the board. That will mean a loss of MFN. It will not be most favored trade treatment. But it will not end our trading relationship with the Chinese and it will give the Chinese something to work for to get back. That kind of tariff level, you can raise or lower. But it would be something other than an all-or-nothing approach.

Well, I can talk at other hearings about other practical efforts to deal with this China dilemma, which is very much a human rights dilemma, too. But I wanted to use that as a metaphor for a better way to impose human rights conditionality on foreign aid. One of the reasons that section 502B has never been invoked is that the administration considers it to be the equivalent of the atom bomb. So therefore, they will never identify anybody as a gross violator because it would mean no aid again, ever.

The difficulty is on countries where the Congress and the executive branch want to keep some form of foreign aid flowing, but everybody understands that they do not come up to the mark on human rights. Now let me make it plain. There is no substitute for the Congress acting in its own interest and in the interest of the American people, and simply saying no to foreign aid requests for real pariah governments. It was this body that ended American assistance to Samuel Doe, that ended American assistance to Siad Barre in Somalia, that basically closed down the contra war in Nicaragua. There is not a substitute for you people making the determination that a country's human rights record does not come up to the mark, and simply cutting off the funding.

Those kinds of real pariah situations, however, are not very frequent any more. Mobutu's day is done. We are not seeing big aid requests from the administration for countries like that. Your difficulty and our difficulty in the human rights community come on those countries that are not pariahs, but still have human rights records that are deeply troubling to the members of this committee and to us in the community.

What we really would like to see in such cases is for aid—both economic aid and military aid, if you must give it, to be used more as a lever and as an opportunity to get lots of scrutiny on the practices of the country in question. Accordingly, we would like the executive branch, before offering the aid, to give an assessment of the country's human rights problems, and to say whether or not they measure up to certain minimal standards that we would like to see written in law. My testimony goes into this in detail.

If these countries that we want to continue an aid relationship with do not come up to the mark, the aid could still go forward,

but it must go forward under circumstances where Congress plays a much larger role in scrutinizing the aid and scrutinizing the human rights performance of the beneficiary. In this way, there is active pressure on the government, and very importantly pressure on our own government to try to get some human rights improvements and to use the aid as leverage to do that.

You have experience using this kind of methodology, and it has worked very well for you in country-specific circumstances. Take the case of Kenya. The Bush administration wanted to provide military aid to the Kenya Government right at the height of human rights abuses, where hundreds of demonstrators were being shot, and the entire democracy movement was in jail. And in comes the executive branch with \$5 million in military aid—bad idea. And Congress put a stop to it and enacted in law some very specific human rights conditions that Kenya had to meet before aid could go forward.

Well, guess what? Kenya did meet them. Using the pressure provided by the Congress, the executive branch really upgraded its own human rights policy toward Kenya and very important human rights changes occurred. Political parties were legalized. The Kenyan authority to OK the boot off the neck of the local journalists. There were some very important changes. Kenya is not out of the woods on human rights. But there were some important changes and it was your providing leverage in law that helped do that.

Now, I see I am out of time, but I do want to say that our whole approach in terms of human rights law reform is to try to offer more sort of incremental and halfway measures. But we insist that they be used. If we are going to step back from our all or nothing approach, we at least want to see more engagement on these human rights questions.

I would like to add further some ideas I have about police aid, but I will do that in questions if anyone would like to ask, since I am out of time. Thanks very much.

[The prepared statement of Ms. Burkhalter appears in the appendix.]

Chairman HAMILTON. Thank you very much. Ms. Low, is from the American Bar Association.

STATEMENT OF LUCINDA LOW, VICE CHAIR, SECTION OF INTERNATIONAL LAW, AMERICAN BAR ASSOCIATION

Ms. Low. Thank you very much, Mr. Chairman, members of the committee. The American Bar Association is pleased to be here today to testify on H.R. 3675, the Peace, Prosperity and Democracy Act of 1994.

My name is Lucinda Low. I am a Vice Chair of the Section of International Law and Practice of the ABA, and have been intimately involved with the ABA's Working Group on Foreign Assistance Reform. This is a bipartisan working group that was formed last year. We issued a report in August of 1993, which has been disseminated extensively within the executive branch, to this committee and others, and has been adopted as formal ABA policy.

I am going to focus on the elements of our foreign assistance reform plan, and not speak about specific ABA rule of law projects or efforts around the world. At the outset, I should say that this

whole effort that we have undertaken grows out of Goal VIII of the Association, which is the promotion of the rule of law throughout the world.

Our position, which has been submitted for the record, closely parallels the bill in many respects. We do support fundamental reform of the U.S. foreign assistance program. We advocate a program that relies on both bilateral and multilateral means to achieve its goals and close cooperation with PVO's and others in the community.

We have chosen to focus on three areas where we think a foreign assistance reform should be closely focused: one is foreign assistance for political development, democratization and the promotion of human rights; the second is foreign assistance for economic and commercial development; and the third is the environmental aspects of sustainable development. Each of these has a significant rule of law component, which I will address in more detail in a moment. We have not, I should note, focused on security assistance, humanitarian aid, or specific operational and programmatic issues within AID. We will leave those issues to others.

We believe it is in the U.S. national interest to have a strong foreign assistance program. Beyond altruism and a desire to care for our fellow human beings, foreign assistance is a way to extend our core economic and political values in the international arena. It is a way to support our economic interests abroad and it is a way to protect our interests, our interest in a healthy environment and our interest in avoiding being drawn into larger political conflicts.

Foreign assistance is an area that changes in the world have made ripe for reform. As I noted above, the ABA believes that the new world of foreign assistance can and should rely to a somewhat greater extent than has historically been the case on the multilateral delivery of aid. That method of delivery allows us not only to leverage scarcer foreign assistance dollars, but can provide a longer-term perspective and the deep depoliticization of aid decisions.

But we believe that there is still a major role for a bilateral foreign assistance program to promote the unique political, economic and security interests of the United States. We would hope that the promotion of the rule of law would be a cornerstone of the new foreign assistance program. While certainly our own legal system is far from perfect, Mr. Chairman, we have enjoyed a stable, law-based society that has allowed us to grow and prosper through much of our history.

In the political arena, the growth and maintenance of democratic institutions and respect for human rights implies a law-based structure that defends and nurtures individual rights, that channels conflicts towards Pacific means of resolving disputes, and allows for individual participation in government. In the economic arena, law provides the framework for economic activity; the rules of the road, if you will, that allow all participants to play on a fair and equal basis.

Law also defines the norms of improper conduct, and allows for planning and rational behavior. To protect the environment also implies a significant law-based component—development of norms,

provisions for public participation, and procedures for assembling relevant information to assess environmental impacts.

In short, we see legal development in various arenas—the development of legal infrastructure, if you will—as being as critical to a country as its physical infrastructure of roads and dams. While we are in agreement with the broad elements and objectives of H.R. 3765, we would urge that greater attention be given to these issues, especially in Titles I and II of the bill.

I see my time is up. Thank you very much for the opportunity to testify. I would be happy to answer any questions you may have.

[The prepared statement of Ms. Low appears in the appendix.]

Chairman HAMILTON. OK, thank you. Mr. Gejdenson will begin the questions.

BUILDING PUBLIC SUPPORT FOR FOREIGN ASSISTANCE

Mr. GEJDENSON. Thank you. It seems to me that we have always had a challenge in keeping America focused on foreign policy and foreign assistance. In Mr. Reeves's new book on the Kennedy administration, during the hottest part of the cold war, the President was trying to call foreign assistance something else to try to build public support. And our activity seems to be divided into two categories, both of which have been damaged through the years. And one would be in the category of charity, which the book, "The Ugly American", described. I think it stuck with the American consciousness, that the bumbling of American attempts to help people ends up giving somebody else the political advantage. The food ends up being sold on the black market, and we do not even end up helping anybody. I frankly think that is not true the majority of the time, but that is part of what we fight out there.

The other part is the economic opportunities for the country, and they are more and more critical as the economy becomes more and more global. I frankly think the disparity in wages between those at the top end of the economic ladder in the United States and those at the bottom end of the economic ladder are a direct result of a global economy. This means that people at the bottom are competing not just with low-end wages in manufacturers and workers in America, but low-end workers across the globe; and it is a category that we obviously cannot compete in. And if we want to move those bottom-end people up, it means adjusting domestic policy that focuses more on educating and training our people. It also requires creating demands for higher-level goods, which means helping these other countries develop to the point where they have an economy to create that demand.

Although I am fairly sympathetic to basically all of what you have said, the problem ends up being on the economic side. When we provide assistance, we often get caught in the McDonald's trap: that when you end up providing the promotion of export of American products, inevitably somebody with a recognizable name, somebody that is a wealthy corporation, that makes large profits, that pays its executives millions of dollars in salaries per year, ends up getting assistance. And the taxpayer looks around and says, "Well, doesn't McDonald's, doesn't General Dynamics, doesn't GE, doesn't Pratt & Whitney, don't they all have enough of their

own profits? Why are we using taxpayer dollars to help them?" So that is one, I think, constant impediment in that area.

It seems to me that oftentimes, with regard to assistance in food and other areas, that the public, if they are not totally skeptical, ends up feeling that it is hopeless. The population explosions, the corruption or what have you means that we will be pumping food in forever without really turning things around.

And I guess what I would like to do is start with Mr. Costello on the business end of things and to say that we do want to get caught in that trap and we do not want to set up this incredible bureaucracy trying to assist every company do its exporting. And then maybe if there is a little time left, the others can maybe do a quick comment.

EXPORT PROMOTION

Mr. COSTELLO. Thank you, Mr. Gejdenson. There is no question that this is a very complex issue, and we do run into the danger of falling into the trap of when we are exporting and creating opportunities or creating competition.

The fact is that there is going to be competition and that is something that none of us are going to be able to avoid. I think that one of the things that we have got to begin to look at in terms of—you are from Connecticut, if I recall. I had a visit from a Connecticut company on Friday that is in the automotive parts business and is in the refrigeration and equipment business looking at the food system and the opportunities that exist for that particular company in Russia. And their capacity to create jobs and provide economic opportunity for their company, which is located in Connecticut, is to their capacity to take advantage of opportunities that exist in the Russian marketplace.

That may be that they may create some jobs in Russia, but they are also going to be able to create jobs in Connecticut as well.

Mr. GEJDENSON. My time is up and I do not want to stretch it, and I will come back in other rounds and ask questions about what happens when we put these programs in place. I believe in helping exports, and export promotion is frankly a large piece of my subcommittee's work. But then, people come back and say, "But you gave this money to large, wealthy corporations that should have been using their own money for export promotion. McDonald's ought to pay for it. Pratt & Whitney ought to pay for it. General Electric ought to pay for it. It ought not be taxpayers' responsibility.

When it is a vague small company, everybody agrees, but you cannot run a program that excludes anybody with a name brand.

Mr. COSTELLO. For our particular program, we are working with companies that are not big name companies.

Mr. GEJDENSON. OK.

Mr. COSTELLO. We have big name companies and we have small—very small companies as well. There are essentially one or two or three individual partnerships. So it is a mix. It is a very difficult question to answer.

There is a competitive part of that answer as well. We have got to help our companies, large and small, compete and do what other

governments are doing to promote the interest of their companies. It is a competitive environment out there.

Chairman HAMILTON. Mr. Armitage.

Mr. ARMITAGE. It seems to me that the answer is not so difficult. It seems to me that the answer lies in those administrators of the program, in this case AID. You have a name brand and you are going to put a certain amount of taxpayers' money to them for exports, and they ought to be able to bring something to the table. They ought to be able to bring a lot to the table. They ought to follow on with a recognizable amount of their own money.

The other instance with smaller companies who cannot get the extra money to put in, it seems to me they ought to be judged on the merits of what technical abilities they bring to the table. This is not a problem unsolvable. But it does take a changed mindset on those who administer the program.

Chairman HAMILTON. Ms. Meyers.

PROBLEMS WITH THE AID ORGANIZATION

Mrs. MEYERS. I thank you, Mr. Chairman, and I would like to thank the panel for all of their excellent remarks. I would like to direct a question to Mr. Armitage.

You said that the AID organization just does not work, in spite of good people, and that there was a kind of a wrestling match there, and that they really ought to severely scrub their own policies and their own regulations. Can you elaborate on that a little bit? What is broken? What policy and regulation needs to be changed?

Mr. ARMITAGE. Thank you, Mr. Chairman. I think in a way, Ms. Meyers, you ought to direct that question to some of my colleagues who have had direct experience on the receiving end of AID.

What I have found, in the beginning of the Russian program, where we were engaged in terror incognito, any program that we wanted to start was immediately answered in AID by the fact that "No, no, we have never done that before" or "Oh, gosh, we cannot do that because the IG might not like it" or "We have got—we cannot move quickly because we have got reviews and then oversights of the reviews," et cetera, et cetera.

Mr. Costello knows very well from firsthand experience, in the early days of our program, I was very interested in getting agribusiness involved in the former Soviet Union. And it was the most difficult assignment of my tenure to try to get AID to actually sit down and work with "private sector business." They said that they had never done it, they did not like it, and they were sure in their regulations and procedures there were rules against this. As it turned out, there were not. But the only people who could get through the rules and regulations of AID were people that we brought in who were former AID employees to show us how to work through the labyrinth.

John, do you want to—

Mrs. MEYERS. I would like to have other members comment on the question if they would.

Mr. COSTELLO. Well, I think that there—more than anything, there is a cultural problem. And you know, if you look back at the foreign aid program over the last 20 to 30 years, in dealing with

the private sector, AID does not have a tradition of doing that. It does not have people that are comfortable working with for-profit entities. It is very difficult for them. It means that they have got to be able to get clear indications from the Congress and from others involved at the highest levels of administering these kinds of programs that these entities of our economy have a legitimate role to play in the process, and then they need to hear that. But it is difficult when you deal with an institution that does not have any traditional base of dealing with the private sector that way we define it.

Mrs. MEYERS. Could I ask one more question?

Chairman HAMILTON. Sure; go ahead.

HUMAN RIGHTS ABUSES AGAINST WOMEN AROUND THE WORLD

Mrs. MEYERS. I would like to ask Ms. Burkhalter, we hear a lot about tying aid to human rights practices, and I am particularly concerned about human rights for women around the world. And do you think we are making any particular progress in those areas where there are human rights abuses that are directed specifically at women, and yet, they are almost overlooked by the international community, who says, well, we cannot do anything about that, that is cultural; we cannot do anything about that because it is religious; or because it is—in other words, it is a sort of a taken for granted human rights abuse because it is happening to women? And is there—are we making any progress with that?

Ms. BURKHALTER. Well, my organization created a special monitoring function to look into the issue of violence and discrimination against women, because we felt like we were not doing well enough. Eventually, we want to integrate that work into all our work on human rights.

But I would like to tie my answer to foreign aid reform a little bit, since that is the topic of the hearing. It seems to me that the interest of the committee in some of these administration of justice programs offer some small opportunities; but, nonetheless, real opportunities to assist some governments that really are interested in making improvements in some issues of human rights, particularly affecting women.

For example, if under your proposed assistance for penal institutions or police forces—something that I want everyone to be very cautious about because the United States has been down that road before and did it extremely badly—but if you are going to get back into that business, there are some ways where we might be able to be very helpful to governments of good will that want to be making some efforts.

For example, in Brazil, there is a horrible problem with domestic violence against women. And when they go to report it at police stations, they frequently get beat up, raped, or the issue is just simply dismissed. It is a problem in lots of countries. And one way, perhaps, in talking with the Brazilian authorities, the U.S. could ask, “do you need some assistance in creating more than one police station for women? Do you need special training for the people that are taking information in about rape cases? Can we help provide some kind of information about how to keep better statistics on crimes of violence against women?” There might be something we

could provide under these administration of justice programs that are specifically looking at what are all too often invisible abuses against women.

Similarly, there is an abuse that I know members of this committee are concerned about that is indeed a violation of human rights, but very tough to get at because it does not involve governments as the violators, and that is female genital mutilation, a practice that is very, very common in large parts of Africa. Many feminists in Africa and women who are working with the victims and working to stamp out the practice find that it is best addressed as a health problem. Thus, AID could direct resources to governments that are really making an effort to upgrade the attention of communities to this issue as a health and education problem.

I think all of us recognize it—female genital mutilation—is not something that is going to go away by shouting, you know. It is something that is going to go away by upgrading the condition of women more generally in societies where their status is very, very low. But I do think there are some points of intersection in the bill that you are looking at in looking at specifically abuses against women.

One thing I wanted to add is that rape is one of the biggest problem facing women around the world and oftentimes, it is done by soldiers and policemen. And in any kind of funding that we are doing and in any kind of human rights scrutiny of the recipients of our funding, we have to look carefully to make sure that there is a government policy that soldiers may not rape, and that those that do so will be prosecuted.

HOW IMPORTANT DO YOU THINK THE REWRITE IS AND HOW HARD IS YOUR ORGANIZATION WILLING TO WORK TO PUSH IT THROUGH?

Chairman HAMILTON. I have two questions. The first question is: how important is this rewrite and how much are your organizations prepared to work hard to push it through the Congress? That is the first question. We have got some important organizations in front of us. We have got a very difficult path to get a foreign aid rewrite through the committee, the U.S. House of Representatives, the Senate Foreign Relations Committee and the U.S. Senate, and I want to know how important you think it is in your scale of priorities.

And number two: what is, from your point of view, the single most important thing we should try to accomplish in the rewrite? I just want to go down the line. It does not matter to me who starts. If you want to convey a single message to us to correct the foreign aid program and make it work better, what is that message?

Ms. BURKHALTER. I think the single most important—

Chairman HAMILTON. The first question first.

Ms. BURKHALTER. OK. Human Rights Watch is a recent organization, and we do not have a grassroots base, so I cannot promise to rally hundreds of letters and telegrams. In terms of whether we, as an organization, can support the reform, it all depends on what is in it.

If, indeed, there is strong human rights language and there are actual mechanisms that engage this body more fully in scrutiny of

foreign aid programs, and that shows a willingness to call a halt to programs to abusive governments, rather than letting them just go on and on, that would be something I would be very excited about seeing passed.

Chairman HAMILTON. Would you vote for the rewrite as it is submitted to us by the administration?

Ms. BURKHALTER. Certainly not, and I would certainly urge my fellow members to vote against it as well.

Chairman HAMILTON. All right.

Ms. BURKHALTER. I mean, that bill can be summed up in two words: trust us. I have worked on human rights under three different administrations. I remember when the Reagan administration came up in 1981 begging to have the restrictions on police aid lifted, and this Congress said no. And now in 1994, the Clinton administration wants the very same thing for the very same reason: they want to get back into the business of shoveling aid to police forces around the world, some who may be very abusive.

And I just think you need to have some controls on that, whoever is in the White House. I would never support this bill as written. It takes you guys out of the business. I know that is the purpose of the rewrite. And in some areas, maybe that is appropriate. In human rights, that is a disaster. That is a recipe for disaster.

Chairman HAMILTON. Mr. Fishman.

Mr. FISHMAN. Given the changes which have taken place in the last 30 years, the end of the cold war, the globalization of the economy, a rewrite of the Foreign Assistance Act is necessary and timely.

Chairman HAMILTON. Would you vote for the bill as submitted by the administration?

Mr. FISHMAN. We also have some concerns with it, but I think we are much more comfortable with it and we probably would. I say that with the knowledge that we have a particular problem with our own membership on selling the concept of foreign aid.

But with that said, we have increased our own education activities with workers in this country. Workers are increasingly realizing that their problems in terms of job security, in terms of collective bargaining at the workplace, organizing, has increasingly an international dimension. And we are getting more and more requests from our rank and file to learn about who they are up against and what impact the global economy has on their particular situation.

Chairman HAMILTON. Mr. Armitage.

Mr. ARMITAGE. Mr. Chairman, I would say no, and maybe I am the only taxpayer here and I have got no horse in the race. I am here at the invitation of your good self.

I would not vote for the bill if you were kind enough to give me a vote. It is not in the realm of the possible to have this get through the U.S. Congress. We both know that. And it is not supportable as written in the minds of the general public. You cannot justify this in Indiana or anywhere else, I think, as presently written.

The single greatest reform I would say would be to bring AID in the consonance with the President's program, be that President a

Republican or Democrat, and to force AID to bring the private sector into a much higher degree of participation.

Chairman HAMILTON. Mr. Costello.

Mr. COSTELLO. Yes. We are very supportive of this bill. Whether or not we can vote for it right now, or whether I would or not, would be unlikely, unless we could see a real—and have the opportunity to put in here a real role for the American private sector. And we are not talking about that concept of supporting business, but using the private sector as a powerful development tool. And that is a difference there. And I think that would also relate to one of the fundamental policy changes we would like to see within AID as well.

And it also relates to the fact that having been out now doing policy round-tables around the country—we have done some 32 in 18 states, talking with all sorts of leaders over the last 5 years—we have got to get to the issue of dealing with the concept of an economic return of what we are doing if we are really going to build the kind of base of support among the American people; moving it beyond charity, but to look at what else is doing and what else is happening out there; a response to what they care about and what they look at in terms of looking at the future, their own economic opportunities and the opportunities for their children. It has got to—the linkages are there and we have got to make them, and the program has to reflect that.

Chairman HAMILTON. Ms. Low.

Ms. LOW. Speaking for the American Bar Association, this is an important issue to our organization. We have ABA policy on it. It is an issue that is important to the current leadership of our Association. And I think we would be prepared to do some work in the general area of foreign assistance reform.

To us, the single most important issue is one that has been alluded to by others, and that is forging a new national consensus on the purposes of foreign assistance reform. I agree with Mr. Costello, we do have to demonstrate to the American people why it is in their national interest. And we think that is a sales job that, properly done, can be achieved. But we would focus on that aspect and, as I have said earlier, leave it to others to discuss what needs to be fixed within AID.

WOULD YOU VOTE FOR THE PRESENT BILL IF YOU COULD?

Chairman HAMILTON. Would you vote for the bill as it exists—as the administration submitted it?

Ms. LOW. We are conceptually very supportive of the bill. We agree that there are some serious mechanical issues, if you will.

RUSSIAN AID PROGRAM

Chairman HAMILTON. As you pointed out in your testimony. I know Mr. Armitage has to leave here very shortly, and I will ask one question before I go on because I want to get your view on the Russian aid program. You saw the *Wall Street Journal* articles, did you, the two of them that were very critical of the Russian aid program—too many consultants, and much of the technical assistance contracts have gone to American firms and so forth; 1-week wonders that go into Moscow and come out. Let me have your assess-

ment of the Russian aid program as you see it. What needs to be done to correct it? What advice do you have for us on the Russian aid program? You have had a lot of experience with it.

Mr. ARMITAGE. Yes, I do not—would not consider myself able to give you or your members advice. I will give you my views, Mr. Chairman.

The Russian program is somewhat out of kilter now. It is much more Russo-centric than I would have it. I would be spreading a larger percentage of the monies which you and the taxpayers have made available to the other new independent states.

And secondarily, I think that the *Wall Street Journal* article, though concern is a bit overstated, everyone up here, and I think everyone involved with the aid program, knew that we are basically paying U.S. firms for U.S. expertise. In fact, one of the areas in which we justified this whole program was that it was generally not going to the Russians, who do not have the systems in place to absorb money, but to Americans to provide technical expertise.

But to turn around now and have me or anyone else criticize the use of American firms is wrong and it is hypocritical. I think you can very well criticize the use of certain firms which are old boy networks with AID or these 1-week wonders, which you refer to, which are a phenomenon that occurs with stunning regularity.

Chairman HAMILTON. Given the developments in Russia, which clearly have not been encouraging from the standpoint of reform in the recent weeks, does that change your mind? Do you now conclude that we ought not to give any aid to Russia? Or should we keep trying?

Mr. ARMITAGE. No, on the contrary. It does not change my mind at all. I think that anyone who did not realize this is a long-term endeavor and was not going to be a short sprint was terribly misinformed. And I think that all of us who are intimately involved in the program recognize that there were going to be many twists and turns in the road. And you and I have had that conversation. You certainly realized it early on, Mr. Chairman.

So now the blinders are off. I think everyone realizes. As Dick Lugar, your State mate, said the other day, that what we are going to have is a rivalry. That is not necessarily bad. But it is clearly in our interest for a whole host of reasons, not the least of which is the fact that you have about 260 million of an untapped consumer pool, to try to develop Russia and the other states in the direction to which they at least verbally and rhetorically have said they want to go.

Chairman HAMILTON. Mr. Gilman.

THE QUESTION OF ELIMINATING AID

Mr. GILMAN. Thank you, Mr. Chairman, and I welcome the comments by our panelists. While I was out of the room, I did review your testimony.

There has been a suggestion by some that our sustainable development activities and former development assistance programs can be better managed if we just got rid of—if we eliminated AID and replaced it with a sustainable development foundation, or transfer these activities to the Department of State. Could I ask our panel-

ists what are your views with regard to that proposal? Why do we not start with Ms. Low?

Ms. LOW. That question, I am afraid, really goes beyond the purview of our organization's policy. We deliberately did not look at the question of whether AID should continue.

Mr. GILMAN. No comment from the ABA?

Ms. LOW. No comment.

Mr. COSTELLO. I do not think it is a very good idea. You know, you cannot just look at sustainable development in the context of—as a stand-alone context. Democratization, all of these other things have a major role to play. I think what you would find yourself doing is recreating something like AID very quickly because it would not work.

Mr. GILMAN. Ambassador Armitage.

Mr. ARMITAGE. I think the key is to make sure that AID works for the Secretary of State, not this silly dotted line relationship that we have now between the Secretary of State and the administrator of AID. And in that case, then I think that AID run by the Secretary of State would be just terrific.

Mr. GILMAN. Mr. Fishman.

Mr. FISHMAN. Most of the criticisms of USAID, we all know intimately, particularly those of us that have been on the receiving end. We have had many meetings with Brian Atwood, and we think that he is trying to take appropriate steps to reform the agency and to move it to a better place. And with that process ongoing and with some success in that regard, we do not think that what you are suggesting would be a good idea.

Mr. GILMAN. Thank you. Ms. Burkhalter.

Ms. BURKHALTER. Ben, if you will let me, I cannot comment on your actual technical proposal because you know I am not a development specialist. But there has been so much said at this hearing about whether or not the private sector is getting a good shake out of contracts under AID, that I do feel compelled to say that the American private sector has done rather well in some areas, such as Export/Import Bank credits to Iraq, commodity credits to Iraq. They made off like bandits during the 1980's. And any kind of program, particularly those that seem to be a generous helping hand to American corporations that are not conditioned on human rights, it seems to me are an unquestionably bad idea.

THE NEW ADMINISTRATION'S POLICY ON RUSSIA

Mr. GILMAN. Thank you. Ambassador Armitage, you are responsible for implementing the Russian aid program during the last year of the Bush administration. Have you noticed any changes in Russian policy with the change of administrations, and have those changes been constructive?

Mr. ARMITAGE. There have been some minor changes, primarily with the direction and percentages of aid—foreign aid that goes to Russia at the expense of the other independent states. I do believe the present administration, generally right in their direction of Russian policy, has been somewhat romantic in their approach. But I must say, I do not have a large quarrel with them.

Mr. GILMAN. Mr. Costello, the Citizens Network has been active in providing technical assistance to countries in Eastern Europe,

New Independent States and the former Soviet Union. H.R. 3765 retains the current authorities of the Freedom Support Act and the Seed Act. Are there any changes in those areas that you would like to see?

Mr. COSTELLO. No. I think that we think those acts are just fine.

Mr. GILMAN. You would like to continue them?

Mr. COSTELLO. Absolutely.

DO YOU PREFER INCREASED DEMOCRACY ACTIVITY AT AID OR INCREASED FUNDING FOR PROGRAMS ADMINISTERED THROUGH NED?

Mr. GILMAN. Mr. Fishman, the AFL-CIO participates in projects funded by AID, as well as through funds from the National Endowment for Democracy. If you had your choice, would you prefer increased democracy activity at AID or increased funding for programs administered through NED?

Mr. FISHMAN. My initial response would be clearly through the National Endowment for Democracy; although, in our view, the same kind of handcuffs we see with AID funding is rapidly emerging with the NED funding.

Our problem with USAID centers on a couple of very practical in-country problems. One is generally, with assistance coming through USAID, there is a government-to-government relationship within host countries. Therefore, when you get involved in democracy promotion activities, for example, it is host countries that actually, in many cases, have a veto power over that kind of program. And given the kind of countries where we work, where workers' rights are violated, where democracy is a goal, it becomes unworkable for AID money to be channeled through that kind of official relationship.

Secondly, graduation from AID funding is determined only by per capita income. So there are many countries where you are not able to work because the economy has succeeded by certain measures; where basically human rights, worker rights and democracy leave a lot to be desired. We are not able to use AID resources in many cases to operate in those kinds of countries.

Mr. GILMAN. Well, I want to thank our panelists for their comments. Thank you, Mr. Chairman.

Chairman HAMILTON. Mr. Wynn.

ENTERPRISE FUNDS

Mr. WYNN. Thank you, Mr. Chairman. I have a question. I think, Mr. Armitage, you might be appropriate, but I welcome comments from anyone.

One of the tools that has been used in foreign aid is venture capital funds and we have had, from what I can tell, mixed results. Would you comment on what you have seen in terms of the use of venture capital funds and also any recommendations you might make relative to how these funds could be changed to improve them. I would also like Ms. Burkhalter to comment about the situation in Haiti, whether you believe the embargo is useful or counterproductive relative to our humanitarian goals, human rights goals, et cetera.

Mr. ARMITAGE. I am a big fan, Mr. Wynn, of what you call venture capital; I think we call the enterprise funds.

Mr. WYNN. Enterprise funds, yes.

Mr. ARMITAGE. And I think that notwithstanding the fact that some of the American administrators of those enterprise funds may have rather large salaries, I think the recipients have by and large proved to be very worthy. And indeed, this is really moving market economies forward rapidly.

You asked if I would have a change or addition. I would. I would have an enterprise fund for the trans caucuses in Russia, if I had my way about things, and bring Armenia, Azerbaijan, Georgia more into play.

EMBARGO IN HAITI

Ms. BURKHALTER. Regarding the embargo in Haiti, Mr. Wynn, I think that if the administration had their act together early on, the embargo might have been useful. But you know the situation better than I do. The poor are hurting. The military is doing fine. The administration is shoving a very bad policy down the throat of the elected President of Haiti. And they are also minimizing human rights problems within Haiti, and breaking international law by returning Haitians without a hearing. Under such circumstances, there are so many things wrong with the Clinton administration's policy on Haiti that a bad job on the embargo is only part of it.

In my view, if you want the embargo to work well, you would have had to have taken actions that were really targeted at the perpetrators. An embargo is a difficult thing to impose because it is inherently indiscriminate. The poor are going to hurt. And as such, we cannot take a position on it unless it becomes so hurtful that we would have to oppose it. We have not reached that decision yet.

But speaking in my personal capacity, outside of the Watch, if you want that embargo to work well, you do not threaten a year in advance to impose an oil embargo so that the military can stockpile it. And then finally after a year of mayhem and killing, say, OK, now we mean it, after the military has its stockpile and makes an absolute killing on the price of the oil. You do not threaten to repossess people's bank accounts a year in advance. When they finally go in and look at the bank account of General B&B, for example, they found \$5 in it. The man is not an idiot. He took his money out. We have been waiting for a year for the administration to do something serious, and they have not done so.

So I think we are talking about—we are looking at really—pardon my being intemperate—an excessively ham hand policy on Haiti; one could ask why. But the worst part of the policy is that they have not paid attention or cared about the fact that the people who ruined Haiti, who killed 3,000 men, women and children in the last couple of years, who ousted an elected President are still there. They have no reason to leave. The administration is saying we want you to stay there and there will be no consequences for what you did. And I think no amount of pressure is going to save a bad policy.

Mr. WYNN. I guess you would like to see it lifted.

Ms. BURKHALTER. No, I did not mean to imply that. I would like to see the policy shaped up and I would like see them find a way to target the embargo more precisely against those against whom

it should be directed. And I think they have to at the same time, take greater humanitarian measures to assist the poor who have been hurt as well.

Mr. WYNN. I guess the question I have is in view of the blunders that you have cited, can the embargo policy be made to work? In light of the suffering that is obviously occurring to the poor there, can this policy work?

Ms. BURKHALTER. I think it might still be a useful vehicle, as long as it is accompanied by other policy decisions. A policy decision to tell the Haitian army right out loud that we do not believe you should get off scott free; you do not need to wait around for a better deal from us. A policy of encouraging the United Nations to send the human rights monitors back to the island. A policy of providing enhanced humanitarian support to those in need. A policy of perhaps creating a safehaven along the Dominican boarder, whereby people fleeing oppression can at least go there, protected by international forces. And at the same time, the international forces could seal off the Dominican boarder, which is absolutely porous and is the lifeline to the army. There are a number of practical recommendations, and the administration appears to be considering none of them.

Mr. WYNN. Thank you. I have no further questions, Mr. Chairman.

Chairman HAMILTON. Mr. Bereuter.

MAKING HUMAN RIGHTS CERTIFICATION A PRECONDITION FOR ANY U.S. FOREIGN ASSISTANCE

Mr. BEREUTER. Thank you very much, Mr. Chairman. Thanks to all of you for your testimony.

Ms. Burkhalter, you have suggested making human rights certification a precondition for any U.S. foreign assistance. Would you apply that to all titles of H.R. 3765?

Ms. BURKHALTER. No, Congressman, I would not.

Mr. BEREUTER. Which would you make exceptions for?

Ms. BURKHALTER. Economic assistance. You know, we have human rights law now, section 116, on economic aid. But speaking from many years in the human rights field, I cannot remember a single time, when I worked for Congress or when I have been at Human Rights Watch, where we ever really wanted to go after economic aid. We are not comfortable taking economic aid away, no matter how bad the government.

There are a few occasions when government——

Mr. BEREUTER. You include in that humanitarian food and medical——

Ms. BURKHALTER. Absolutely. Absolutely. The exceptions I might make are those aid programs that are going directly to the government in question and do not bear a direct relationship to humanitarian need. I think we——

Mr. BEREUTER. Those cases——

Ms. BURKHALTER [continuing]. Can lose some of those.

Mr. BEREUTER. Those cases, for example, in the past, we have moved it to the NGO's, avoiding the Haitian Government.

Ms. BURKHALTER. I think that is exactly the way to go about it.

VOLUNTEER WORK

Mr. BEREUTER. All right, thank you. Ms. Low and Mr. Fishman, both of your organizations are involved in assistance abroad. To what extent would you say that your work is pro bono? To what extent are you not being reimbursed for?

Ms. LOW. For our organization, there has been a huge pro bono commitment reaching throughout the membership of the organization. Some of the lawyers who have been involved—for example, in our CEELI program, the Central Eastern European Law Initiative, which has done work in Central and Eastern Europe and in some states of the NIS—have been worked under projects that have been funded by the U.S. Government. But the time that those individuals have spent preparing for the work that they are doing and in-country work does not begin to compensate them fully for their effort. So I cannot give you a precise figure, but I can tell you that it is—it has been a huge pro bono effort.

Mr. BEREUTER. Is the ABA doing any international work that is strictly pro bono, with no U.S. Government assistance?

Ms. LOW. Yes, I believe we are. We are involved in several projects in Latin America at the moment which are not funded in any way by the U.S. Government. And that is one example. I can provide you with other examples subsequently, if that would be helpful.

Mr. BEREUTER. Thank you. That would be helpful. Mr. Fishman, can you give me a response to those questions?

Mr. FISHMAN. Yes. We can answer in a similar way in the sense that we have an awful lot of people who participate in our programs who are being paid by their unions or by the federation.

But it seems to me that the work that we are doing is clearly within the self-interest of our institution and our members. So in that sense, it is not pro bono. We are doing it because we feel that the promotion of independent unionism abroad will have a positive benefit on economic development, and on promoting democracy, and have a positive impact on the kinds of problems that our members in this country have.

SUPPORT FOR H.R. 3765

Mr. BEREUTER. Thank you. I was noticing the lukewarm response to Chairman Hamilton's questions about whether or not you would vote for or support H.R. 3765. I thought that was fairly telling and I think I would certainly place myself in that same category of unconvinced voter at this point.

All of you have testified before us on a number of occasions, and I am very grateful for that, as we all are. And I do not mean to suggest that we are not. But I do think that the kind of thoughts we are getting from within the executive branch, and the Congress and outside, are a little stale; they are about as exciting as dish water. Obviously, we have a program that is not working well in most areas. It is a program that the American people by and large do not support. That is the sad truth of it. And yet, it is very important to our national interest to have an effective program. And it does seem to me that we need to have some fundamental re-

thinking of this program and how we are going to provide assistance.

I hear almost no discussion about volunteerism. And I think what Americans have, first and foremost, are skilled qualified people in every imaginable field, more than we need and can use effectively in this country. And that is our natural resource that we need to employ in more creative ways. And I do not see much discussion about that. And all I see is a reshifting of things without any likelihood for dramatic improvement in the quality of the assistance we are extending.

So I would like to have you go back to the drawing boards, if you would, in your individual capacity or the organizations you represent and say, "let us fundamentally rethink how we can deliver our assistance better."

Ms. BURKHALTER. Could I comment on that, Mr. Bereuter, just for a moment?

Mr. BEREUTER. Yes.

Ms. BURKHALTER. I am not in the business of delivering assistance. We are not a humanitarian or development group. But I actually think that some of the recommendations from the human rights community are very fresh and very exciting indeed. We actually have completely rethought what has been a mantra for us for the last 15 years, human rights law. And we are really willing to question all of our initial premises about how we can inject human rights conditionality into foreign aid. I think that has been reflected in my written testimony anyway. I am sorry it did not come through in my oral remarks.

But I will tell you what: one of the main problems that you have in selling foreign aid is that in the past, many of the recipients have been absolutely revolting governments. Look at Africa. The top five recipients in sub-Saharan Africa of U.S. foreign aid throughout the 1980's were these following marvelous, stellar countries: Zaire, Sudan, Liberia, Somalia and Kenya. Of the five, one is left with a functioning government. One is an international outlaw and a pariah and a thorn in everybody's side. The other three are completely destroyed.

Now, how do you defend a foreign aid program where those five countries got the bulk of foreign aid in a dying continent? How do you defend a foreign aid program where the top foreign aid recipients on our continent were Guatemala and El Salvador? There is your problem, or at least part of your problem.

Mr. BEREUTER. That is a major problem and I do not disagree with you. Another major problem is that the country's attitude is really set more than anything else by what appears in *Reader's Digest*. And *Reader's Digest* will have every second month a negative story on foreign aid. There are plenty of negative examples they can bring forth. But will they ever run one that is written on a positive thing, about something that is working? No, they do not. All they do is promote negative attitudes and cynicism about our Government, foreign aid and many other areas. And that magazine has more impact upon foreign assistance and the attitudes on it than anything that you or I do.

Mr. COSTELLO. Can I make a comment, Mr. Bereuter?

Mr. BEREUTER. Yes.

Mr. COSTELLO. I think that the point about volunteerism is a very important point. I do think the instinct is there. I am pleased to say that we are involved in a voluntary effort in the former Soviet Union through our agribusiness volunteer program, which is part of the farmer aid. And we will be sending over 200 middle management volunteers from American farm organizations and agribusinesses out to provide technical assistance in Ukraine and Russia.

What has been remarkable also is the response we have gotten from state level farm bureaus that have really made long-term commitments to provide some of their leadership and their membership to provide technical assistance to the creation of local level private farm organizations in Ukraine and in Russia as well.

Also, I would like to say that I think that with regard to the partnership we have created with the private sector, to restructure the food system in the former Soviet Union, is new, and is innovative, and is a new way of delivering foreign aid that has accountability, that I think has sustainable, and I think is an exciting break from the past in terms of how we can make something happen with an impact and demonstrate results for the American people.

Mr. BEREUTER. Mr. Costello, I think those are both good examples of a reformed effective program. And the reason I asked Ms. Low and Mr. Fishman about pro bono work and volunteerism is that I am convinced that the people that give their time are more likely to have a more effective impact abroad.

Ms. Low. We support fully the thrust of your remarks, and if I could just make an additional comment. I have talked to judges, American judges and others who have participated in the ABA's law reform efforts, and these are individuals, in many cases, who have no personal or professional stake in what happens in the country. They are simply doing it because they see it has an historic occasion where they have some skills, perhaps, that they can transfer. And they have to a person said that it has been the most rewarding professional experiences of their career. So I think volunteerism is very much alive.

I should also say that we have, in addition to the programs I have mentioned in Latin America, several efforts under way in various African countries that are not funded by the U.S. Government.

Mr. BEREUTER. Mr. Chairman, thank you for the extension of time. Thank you.

Mr. OBERSTAR. The gentleman always has very fine questions to ask.

Ambassador Armitage, I understand you have to leave at 11:30, so you are certainly welcome to depart at such time as you have to do so.

In the post-cold war era, clearly aid is no longer what we thought of it during the years of U.S.-Soviet confrontation, where aid and the countries receiving it were like pieces of chess on a board that we moved around to block Soviet intentions or perceived intentions; where we gave assistance, perhaps not so much on the basis of the need of the country, but on how it would fit into our national—international policy of checkmating the Soviets and how it would contribute to the policy of containment.

The post-cold war era, it seems, tests—seems to me to test our historic professed commitment to altruism; to helping people for their own good; to helping people achieve a better life; to end abuses and violence in other parts of the world; promote democracy. And that is the basis on which it seems to me we ought to test the administration's proposals for foreign aid reform. I would like to see more filtering up from the people in the field, than filtering necessarily down from Washington. I have got a little experience in observing foreign aid myself from afar.

PRISON AID

Now, Ms. Burkhalter, I think you certainly have put the issue very sharply on prison aid, police aid, and on the differing roles of the executive and legislative branches. Prison aid, do you think it is a totally bad idea and we ought to just not get into it?

Ms. BURKHALTER. Well, I am really glad you asked that question.

Chairman HAMILTON. As proposed by the administration?

Ms. BURKHALTER. Right.

Chairman HAMILTON. You addressed that in your testimony.

Ms. BURKHALTER. The aid to prisons as opposed to police forces. Let us just focus on prison—

Chairman HAMILTON. They are two separate questions.

Ms. BURKHALTER. Right. The issue of prisons is a really tough call for us in the human rights field. Obviously, there are problems with the United States simply giving funds to foreign prisons. Most of them are in horrible shape. Many of our own prisons are in awful shape. And without the sort of structural reform that only a government, itself, can undertake, simply throwing a little money at a bad prison situation is a bad idea because then the United States becomes implicated in rotten, violative conditions of confinement.

On the other hand, there are some things that the United States might be able to contribute by way of assistance. I mentioned in the answer to Ms. Meyers's question about what could we do about violations against women, there might be some ways where some training could be provided about dealing with rape victims. There might be some actual practical remedies for segregating prisons so that the women are protected. There are a whole variety of things that might be done.

But I guess I would be uneasy to see the United States spring into a bilateral assistance on prisons for two reasons. One, our own prisons are in very bad shape and there really is no standardization for humane treatment; or even minimal humane standards for the treatment of offenders. And I would not like to see us export it abroad. All you have to do is go look at the maxi-maxi facilities in some of the places in this country that my organization has looked into. It is not decent to treat human beings like animals, and we do in some of our prisons.

There is another reason I would like to see us go beyond the bilateral, and it is that there already is a quite respectable international program of assistance for prisons. The United States, to its discredit, does not support it very much. Actually, I have a letter from Congressman Tom Lantos, the Chairman of the Human Rights Subcommittee, about this issue that I would like to include

in the hearing record at this point,¹ if I might, and I will not go into great detail here. But the U.N. program might be a possible vehicle for getting into prison assistance. It is an international body that has very important expertise on the relevant international standards for the confinement of criminals.

Chairman HAMILTON. Well, there are very few prisons in Central, South America, and the Caribbean and other areas that any American prisoner would care to inhabit. But I never thought that improving the prisons in El Salvador would have been a great contribution to human rights. I think the underlying causes for how people got there were our main problems.

Can you name any countries that would meet the four criteria you set up for police aid? Name any country that would meet any of those criteria?

Ms. BURKHALTER. Sure. I mean, you could have——

Chairman HAMILTON. Canada.

Ms. BURKHALTER. Well, I do not—in the developing world?

Chairman HAMILTON. No.

Ms. BURKHALTER. Senegal.

Chairman HAMILTON. I just do not think——

Ms. BURKHALTER. Zambia.

Chairman HAMILTON [continuing]. That we——

Ms. BURKHALTER. Costa Rica, Chile, Argentina. I mean, you could certainly—you could certainly pick some.

Chairman HAMILTON. Yes. If you could name them, they probably do not need the aid.

Ms. BURKHALTER. You have put your finger on the dilemma. If they cannot meet the standard, however, then we are implicated in their abuse. There is a way to get around that problem if the administration wants to insist in going forward with police aid, and it is this: if you have got a police force that is not up to speed at all and we are trying to help—let us talk about Turkey. They torture just about everybody they can get their hands on. Now that is not a function of a lack of education. That is not about “we do not know better.” That is about orders from the top, to torture people until you get a confession.

Now, I do not think that is a technical problem that we can help with. My organization researched an incident in which the Turkish police were boasting about having received a lie detector from the United States, benign enough, and then 2 hours later heard testimony from a victim who had been tortured in conjunction with the lie detector. They hooked the person up to the lie detector. They said “you are lying” and they applied electric shock.

Now, you know, a technical answer to essentially a human rights problem is not where it is at. However, there might be a mechanism whereby we could make a contribution, so long as Congress keeps a very close eye on it. I recommended in my testimony that if the United States is going to get into this area, we should set forth at the outset realizable, practical human rights achievements that you would like to have this program achieve. Maybe it is the release of political prisoners. Maybe it is the creation of a police station run by women. Maybe you would like to see the Inter-

¹ The information appears in the appendix.

national Committee of the Red Cross provided access. Perhaps you would get a prosecution for a well-known cop who has been killing people on the beat. There should be some practical steps you would like to see this government achieve.

And you go in there with an aid program and you say, this is what we want to use our aid to help you with. And then at the end of the year or the end of 18 months, you evaluate that program and you ask how did we do?

POLICE TRAINING

Chairman HAMILTON. You sure have to evaluate and you have to look at it very closely. My experience in Haiti was that whenever we trained people for professional performance of duty, whether military or police, they came back and did their job. They were quickly shipped off to some remote outpost far away from where they could possibly do any good. So I am just not a fan of broad-scale police training.

Ms. BURKHALTER. Neither am I.

Chairman HAMILTON [continuing]. Even under the most restrictive conditions?

Mr. Fishman, I will conclude, you recommend changing the practices that allow nondemocratic governments to approve or disapprove aid that is funded from AID for democracy-building initiatives. I would say the same would go for economic development initiatives. All too often, we provide economic assistance to countries with repressive governments and the money does not get to the purpose for which we provided that funding.

The question I want to ask you is, you raised the issue of workers' rights as a yardstick by which we should measure progress in developing countries. If workers' rights had been put on the same level as capital protection, NAFTA should never have been approved because there certainly was no protection for workers' rights in that agreement; a whole lot of protection for capital, including the right to bargain collectively and the right to strike. In your experience, for AFL-CIO, which is more effective in bringing about change in governmental policy: change in our aid program or change in our criteria for trade?

Mr. FISHMAN. That is an interesting question. I just returned from Chile, where I attended the inauguration of the new President, and we had lengthy discussions, both the Chilean CUT, the labor movement there, and also the Chilean Government on a bilateral trade agreement that would include as an integral part of a trade agreement a section on the protection of workers' rights. We very clearly stated in our meetings with both the Chilean Government and also the Chilean trade unions that we could be very supportive of that kind of trade agreement. Also, we feel that it would have a significant impact on the workers' rights situation in Chile, and perhaps in the United States, because we could use that as a vehicle to file complaints against what we consider to be some of the problems that exist here. So we very clearly understand the power that is potentially there in terms of linking worker rights, and we are strongly in support of that.

With that said, we also see the provision of aid, particularly from multinational financial institutions, for example, to also have a

very significant impact in this kind of area. And we would also support efforts to link aid and worker rights.

Another of the problems we have seen in terms of the AID money, also, is that it is becoming increasingly decentralized. And although that sounds like a good formula, what it really means is that the ability of host governments to have an impact on what kind of assistance is brought in is strengthened. At one point, we were basically given sort of a core grant relationship with USAID, where we did not have to go into a country through the local AID mission. And this gave us an ability to promote worker rights; to promote the development of democratic institutions without having a host government approve it. That trend is decreasing, unfortunately, in our view.

Chairman HAMILTON. Thank you. Mr. Rohrabacher.

JUSTIFYING FOREIGN AID

Mr. ROHRABACHER. Thank you. I am sorry I came in late for the hearing today, but I was being lobbied for a special foreign aid program, in fact, for a certain country, in which I had to tell them no. And the reason I had to tell them no was that I vote against a lot of spending on programs that go to our own people, and that we have this massive deficit that is coming down on us, which if we do not take care of, is going to eliminate all the discretionary spending that Congress has available to it probably within about 5 or 6 years if we keep having to have an increase in payment on just the interest on that debt. And so I said no to them.

Just to make sure this is in the record, people really care about other people. Sometimes you have to vote against foreign aid because we even have to cut programs that our own people are involved in. Do you have any general comment toward that—what I just said?

Mr. COSTELLO. Well, I—let me—I am sure others do here, as well. I think that we are presented with painful choices. I think that it is very difficult. I understand your position to—that you are in when you have to talk about cutting domestic programs and voting for programs that, in effect, purport to send money overseas. That is a dilemma.

However, I think we need to put this in perspective. What we are really talking about is a very, very small amount of money to represent our substantial interest in the world. I think that we are down around 1 percent or less than 1 percent of the Federal budget. We are not really talking about a significant amount of resources as we look at our huge interest in the world and our huge interest in the global economy.

And I think also if we can begin to put these interests and define these interests in a way that link to the concerns that people have in this country, is a way to begin to address that concern. You know, Americans are feeling—you know, are feeling overburdened. We are seeing a lot of homeless on the street.

Mr. ROHRABACHER. During the cold war, I voted for foreign aid because I believed that the military was not the only way we should try to exercise our influence in the world. And unfortunately, now that the cold war is over, that justification to trying to keep the lid on situations so that it is not exploited by a bloc of

countries that were aimed at destroying democracy, I find it very hard to justify that any more, especially when I take a look at foreign aid and a lot of the money going to foreign aid.

The argument made to me a few moments ago was that, well, a lot of the money is going to our own companies actually. It is not going to the foreign country. It is going to the big corporations here who provide whatever it is for whatever countries. And it seems to me that is even a greater indictment of why we should not be necessarily giving that money if it ends up in the pockets of major U.S. corporations and not the people who are trying for humanitarian reasons to affect their well-being.

Mr. COSTELLO. Well, a great deal of our aid goes toward humanitarian purposes for one thing. I think the point I tried to make was that—and some of it is going to large businesses, that one has to question whether or not they are going to have an impact.

I think what really we need to look at is if we are using the private sector, for example, where we are using them as powerful tools of development, we need to look at what has happened and what impact those resources provided to that entity have had in changing the situation at the local level. And if we could establish the fact that, indeed, progress is being made, opportunities are being generated, changes are—significant changes are taking place, then I think we have got the criteria to evaluate whether or not that is the right way to do that.

Mr. ROHRBACHER. Well, I hope you are right. Just in the past when I have looked at foreign aid, it just seems to me, Mr. Chairman, that all too often we see a lot of big companies and special interests in other countries ending up with their hands on the money in order to create some big dam or some big economic project. And it seems to me that the little guys—it might even be better for us to take that same amount of money, and just go out and loan it at, you know, \$300 a pop to small people who want to create small businesses. And I know there is a group called Specialized Microenterprise who have talked to me. And I am beginning to think that might be a better idea than trying to build up the infrastructure of certain countries that are perhaps out of synch with the development of the economy for regular people.

One last thought, and I know I have got—the light is on red there. I certainly agree that during the cold war, we had to make certain compromises on human rights because we were at war. I mean, the fact was—I know a lot of people on the left do not want to admit that—but communism was a horrible—was on the level of the Nazis as far as I was concerned.

Ms. BURKHALTER. Who are you agreeing with, Mr. Rohrabacher? I hope not me.

Mr. ROHRBACHER. Well, I did not—was not aiming at anybody. But I will say that I agree with you now that the human rights—now that the cold war is not part of the decisionmaking process, there is no excuse for us to be providing funds for anybody that violates the human rights of their people, and that should be a major criteria. That is immoral for us. Outside of the fact that we were threatened 10 years ago by, I would say a block of countries or gangster regimes that were trying to impose themselves on the Western world; well, that is gone now. And then, you might have—

there might have been some—saying let us overlook Somoza or whatever it is. But now, there is no excuse whatsoever in providing taxpayers' funds for people who torture people, or put their opposition in jail, or close up churches, or whatever.

Mr. Chairman, thank you very much.

CLOSING REMARKS

Chairman HAMILTON. Thank you, Mr. Rohrabacher. I want to conclude the hearing now. But I also want to give you any chance—if there are points you would like to make before we conclude, now is your opportunity. Mr. Costello.

Mr. COSTELLO. Yes. Although I brought it out in my larger—longer written testimony, I have talked a lot today about the role of private enterprise. And I do not mean to—and I want to make sure that it is understood that I am a very strong and long-time supporter of the role that private voluntary organizations and universities play in this process, having run a PVO for a number of years and have been chairman of the Advisory Committee in Voluntary Foreign Aid. So I do not see it as an either-or process. I see it as an inclusive process.

Chairman HAMILTON. I think that was my understanding of your view.

Mr. COSTELLO. Yes.

Chairman HAMILTON. Any other comments? Mr. Fishman.

Mr. FISHMAN. I just want to make a brief comment in response to Congressman Rohrabacher.

I spent 12 years in Asia during the end of the cold war—in South Korea, in the Philippines and in Thailand—helping to promote independent trade unionism. The forces in the line against that kind of effort did not come from the Communist left; they came from an authoritarian right.

From our point of view, the violation of worker rights and human rights is colorblind. Despite the fact that the cold war has ended, we see out there an awful lot of countries and an awful lot of forces that do not want to give workers basic rights, do not want to give people basic human rights. Therefore, this effort in which we have been embarked on for 35 years continues—in some ways, needs to increase and be improved.

Chairman HAMILTON. Anything else? Ms. Low.

Ms. LOW. If I could just also pick up on Mr. Rohrabacher's comment.

We would certainly agree with the proposition that the United States should not be providing funds to a government that systematically engages in human rights abuse. That would not necessarily mean, however, that the United States would not be engaged at all in trying to promote the development of that country. In our view, that situation would require us to be more innovative about the delivery mechanisms we would choose for foreign aid. We would have to find other groups to work with, perhaps to try to strengthen the infrastructure of that country, other than by going through the government.

And we are generally concerned about conditionality rules that are very broad and blunt in their application. We have some concerns which are reflected in my written statement about the coun-

try eligibility provisions of Title I of the bill for some of the same reasons.

Chairman HAMILTON. Ms. Burkhalter.

Ms. BURKHALTER. Mr. Hamilton, the area that I am actually most interested in, I did not even speak of, but I will very brief now, and that is arms sales and arms transfers, which I think is the most important area where the United States needs to get control over its policies, and where I see almost no human rights conditionality or attention. My testimony has a lot of very specific suggestions in that regard, and I have been speaking with your staff about it.

Let me just make one final recommendation, and I do not know whether it is completely off the wall or not. But your Chapter II of Title III has a nonproliferation and disarmament fund dealing obviously with nukes, and nuclear material, and providing assistance to dispose of it, and intercept it and discourage its transfer. I wonder whether there might be any possibility of adding landmines to that section.

My organization, as you know, has been the leading voice to try to have land mines banned and be considered a weapon of mass destruction, and a weapon that should be considered along with chemical weapons as something that should never be used. And it just occurs to me that it should be mentioned somewhere in terms of the R&D money, in terms of the efforts that are being made to help eradicate other weapons of mass destruction. Certainly landmines are the leading cause of human rights abuses on the planet today, and we would love to see some attention to them.

Chairman HAMILTON. Well, that is a good comment. Your proposals with respect to the kinds of changes you want, setting out positive human rights criteria, and a warning system and all of that, in your view, that would apply to all the categories of assistance?

Ms. BURKHALTER. In my view, I would like to stick only to security assistance, including ESF and arms transfers.

Chairman HAMILTON. I see. OK. Any further comments? Well, we are grateful to all of you for being with us this morning. We have had a good session. We thank you very much, and we stand adjourned.

[Whereupon, at 11:50 a.m., the committee was adjourned.]

APPENDIX 1

THURSDAY, FEBRUARY 3, 1994

THE STATEMENT OF
THE HONORABLE RICHARD M. MOOSE
UNDER SECRETARY OF STATE FOR MANAGEMENT
BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS

WASHINGTON, D.C.

FEBRUARY 3, 1994

Thank you, Mr. Chairman. I am pleased to be here this morning to testify before this Committee on the Administration's proposed Peace, Prosperity and Democracy Act of 1994. This legislation represents the Clinton Administration's initiative to achieve long overdue reform of our International Affairs programs. The Secretary of State is committed to seeking these reforms as a part of this Administration's efforts to open a new era in American Foreign Policy -- it is not just a traditional Foreign Aid Bill, it is a Foreign Policy Bill. Together, Brian Atwood and I will be describing for you the changes that the Administration seeks to enable foreign assistance to function more effectively as a tool of U.S. Foreign Policy, both by making it more streamlined and by tying it more closely to the President's goals for America. Brian will give a history of the legislation with special emphasis on those elements of the reform proposal that speak directly to the role of USAID -- promoting sustainable development and humanitarian assistance. My presentation will focus on the ways in which our reform proposal improves links between our overseas programs and our foreign policy objectives, particularly America's economic competitiveness. I will also spend a few moments describing those parts of our proposal which concern building democracy, promoting peace and advancing diplomacy.

FOREIGN POLICY OBJECTIVES

Profound shifts have taken place in America's foreign relations over the past several years. When this Administration came into office, we faced dramatically changed international conditions and problems, but we inherited foreign policies and institutions still geared, in many ways, to the conditions and needs of the Cold War. Nowhere is this more true than in the area of our international programs and specifically the Foreign Assistance Act of 1961. Over the years, that law, first enacted during some of the most tense years of the Cold War, has become laden with competing -- and sometime conflicting --

goals and objectives. Appropriate to a time when these programs proceeded from the premise that our overriding national security objective was the global containment of Soviet power, the FAA is now a relic, unsuited to meeting the challenges of the post-Cold War world.

Let me take a moment to review our foreign policy priorities and describe for you the importance of this reform bill to the pursuit of those objectives. The Clinton Administration has clearly stated its foreign policy priorities. They are:

- o Ensuring the economic competitiveness and security of the United States;
- o Supporting reform in Russia and the New Independent States of the Former Soviet Union;
- o Renewing and revitalizing our critical security relationship with NATO and Europe;
- o Expanding economic and political cooperation across Asia and the Pacific;
- o Forging an enduring peace in the Middle East; and
- o Meeting the challenges to American security posed by global problems like proliferation, environmental degradation, excessive population growth, narcotics trafficking and terrorism.

Not all of these challenges represent issues that are dealt with primarily through foreign assistance. Some, like renewing our security ties with Europe and building greater cooperation with the Nations of Asia and the Pacific represent challenges first and foremost for American diplomacy. Others, however, require that we combine U.S. leadership with U.S. resources in order safeguard vital interests and gain the cooperation of other nations in dealing with shared problems.

In a time of reduced budgets it is more important than ever that our programs be reformed and our scarce resources be targeted accurately and used effectively. We cannot afford waste and inefficiency. That is why we seek to replace the existing Foreign Assistance Act with a new set of basic authorities to match the new challenges of our foreign policy. Indeed, if we cannot reform and streamline our assistance tools to meet new challenges, we can scarcely hope for success in meeting those challenges.

Our proposed replacement for the Foreign Assistance Act sets forth a comprehensive framework that reflects the major changes we are carrying out in the content, direction and the institutions which ensure that our interests are promoted and defended abroad. The authorities and accounts in the existing FAA based on functional types of aid (for example foreign military financing, economic support funds, and development assistance) no longer reflect the links between our international programs and our policy objectives. Not surprisingly, foreign aid has come to be seen as something we

do for others rather than as something we do to advance the security and well being of Americans.

The new Peace, Prosperity and Democracy Act represents an effort not only to update and rationalize our foreign assistance authorities, but also to put those authorities in a framework that ties our overseas programs to the President's goals for our nation. The new Act will authorize programs across the full range of international activities. These include programs to promote business opportunities overseas for Americans firms; to help countries make the transition from communism and authoritarianism to free markets and democracy; and to respond to new security challenges such as proliferation of weapons of mass destruction, threats to the global environment, excessive population growth, the movement of refugees, and the international flow of narcotics. These programs will be organized in a way that demonstrates our recognition that the American public is demanding a foreign policy that serves the U.S. domestic agenda.

Instead of functional authorities, the new Peace, Prosperity and Democracy Act is organized around mutually reinforcing strategic objectives. Under each of these objectives, the Act authorizes types of assistance appropriate to meeting that objective. We hope through this new structure to shift our focus away from how we do things and toward what we are trying to accomplish -- away from process to results. We will set clearly understood goals by which our programs can be measured and we will demand measurable results. The new Act also substantially reduces the number of accounts and strengthens authorities for our foreign aid programs.

The objectives which form the building blocks of the new Act are: promoting growth through trade and investment, building democracy, sustainable development, promoting peace, providing humanitarian assistance, and advancing diplomacy. These objectives are interlocking and mutually reinforcing. For example, democracy and free market reforms help to promote sustainable development and economic growth. Together they form a comprehensive framework which ensures that our international programs support our foreign policy. I would like to spend a few moments discussing a few of these and share with you some of the highlights of the bill.

PROMOTING PROSPERITY AT HOME AND ABROAD

We have put economic competitiveness at the heart of our foreign policy, as we must in a global economy. America's future prosperity is tied irreversibly to the growth and integration of the global economy. More and more Americans earn their living by producing goods and services for overseas markets. Exports are the highest-paying and fastest-growing sector of our economy. Our most important task in this area is to open and to improve our access to markets overseas for U.S. goods and services. Our successes in achieving NAFTA,

completing the Uruguay Round and opening up new opportunities in Asia and the Pacific are evidence of our commitment to use diplomacy to advance American prosperity.

In addition to opening markets we also intend to invest resources in helping U.S. business to penetrate these markets through programs to promote exports. The Peace Prosperity and Democracy Act authorizes the Overseas Private Investment Corporation which supports, finances and insures sound business projects that increase U.S. employment, and our global competitiveness, at the same time assisting the host countries' economy and development. The Act also authorizes the activities of the Trade and Development Agency which enhance market opportunities for U.S. companies in the infrastructure and industrial sectors of middle income and developing countries. TDA works closely with foreign governments and other entities to involve U.S. business in the early planning stages of projects in these sectors. The resulting opportunities provide U.S. companies with market entry, exposure and information, thus assisting them in establishing a position in markets that are otherwise difficult to penetrate. This is particularly important in the emerging market-oriented democracies of Central and Eastern Europe and the Former Soviet Union.

While Brian will cover them in greater detail I think it is important to note that programs to promote sustainable development under Title I of the new Act are closely related to the programs I have just described under promoting prosperity. By helping to build vibrant growing economies in the developing world, we support a healthy global economy and build markets for US exports.

BUILDING DEMOCRACY

In the State of the Union address, the President noted that "...the best strategy to ensure our security and build a durable peace is to support the advancement of democracy elsewhere." Enlargement of the community of market democracies is a central strategic priority of the Clinton Administration, both as a way of ensuring our security and as a means of promoting our economic well-being. Democracies make better partners in trade, are more peaceful, and cooperate in managing global problems. The Peace, Prosperity and Democracy Act of 1994 authorizes programs to pursue this critical objective under Title II, building democracy.

The most important of our programs to build democracy are our continuing efforts to promote political and economic reform in the New Independent States and Central and Eastern Europe. Americans have a huge stake in the success of those reforms. If democracy fails in the Former Soviet Union, Americans could pay a severe price though increased defense budgets driven by a revived military threat. The success of reform, on the other hand, offers the promise of partnership with stable, prosperous

market economies based on mutual interests and shared values.

The Peace, Prosperity and Democracy Act incorporates, as part of Title II, the Historic Freedom Support Act which has served as the basic authority for many of our assistance programs in the Former Soviet Union. Similarly, Title II also incorporates the Support for Eastern European Democracy, or SEED, Act of 1989.

Also included in Title II is a general subchapter for building democracy in countries in transition. This chapter authorizes flexible assistance across the full spectrum of possible activities in order to promote transition to democracy, assist democratic governments emerging from civil strife, and provide urgent assistance where democracy and democratic institutions are threatened. Assistance under this chapter would enable us to support emerging democracies in Africa, Asia and Latin America.

As the committee is aware, we engaged in an extensive consultation process preparatory to the submission of the Peace, Prosperity and Democracy Act. In the course of this consultation, the staff and representatives of Non-Governmental Organizations (NGOS) questioned the broad authority contained in the countries in transition sections, so I would like to explain the rationale for our approach. There is of course no single path to democracy, and none of them is easy. Countries attempting to join the community of democratic nations can benefit from many different types of assistance as they grapple with the challenges of reform. In some situations, our assistance may be concentrated upon strengthening democratic institutions such as programs to promote electoral reform, effective administration of justice, or respect for the proper role of the military in a democratic society. In others, the transition to democracy may require assistance to support economic reform or provide urgent economic support. Humanitarian assistance can help deal with the hardship and dislocation that often accompany the transition to free markets and democracy.

Countries emerging from civil strife may require assistance aimed at aiding in reconstruction and the demobilization and re-employment in civilian pursuits of former combatants. In truly exceptional cases, economic and military aid may be necessary to help democratic governments meet threats to democracy from, for example, anti-democratic insurgencies or backlash states like Iraq, Libya or North Korea. Given this wide variation in the types of assistance needed to promote democracy around the world, we have laid out broad authorities enabling the President to seize opportunities to assist nations seeking to join the community of democratic nations.

PROMOTING PEACE

The central purpose of our foreign policy is to ensure the

security of our nation, thus promoting peace remains a critical element of our national security. Title III of the Peace, Prosperity and Democracy Act will authorize programs designed to promote peace through, for example, multilateral peacekeeping and support for the Middle East peace process. It also authorizes programs to respond aggressively to new international security challenges like proliferation of weapons of mass destruction, and narcotics trafficking, while maintaining existing authorities to assist countries in meeting security threats, as well as to share in the burden of collective security.

Chapter 1 of Title III consolidates into one bill the existing accounts for U.S. assessed and voluntary peacekeeping contributions and would allow for funds to be transferred between the two accounts. The authority in this chapter is part of a broader new policy to enable us to better manage U.S. involvement in international peacekeeping operations. A centerpiece of this new policy is a sharing of responsibility between State and Defense for managing and funding peacekeeping operations. Basically, DoD will be responsible for peace enforcement operations and State for more traditional peacekeeping operations.

Chapter 2 of Title III would contain the authorization for the non-proliferation and disarmament fund, an initiative of this Administration first proposed and established in fiscal year 1994. Designed to complement our vigorous diplomatic efforts to stem the spread of weapons of mass destruction, this account makes available small amounts of assistance to help countries improve their own non-proliferation efforts and to assist them in meeting their international non-proliferation commitments.

Chapter 3, Regional Peace, Security and Defense Cooperation, provides the bill's broadest new authority to furnish assistance for security and economic purposes. Chief among these purposes will continue to be support for the Middle East peace process, a constant and essential goal of U.S. foreign policy. Programs will include economic assistance needed to bring growth to Gaza and the West Bank as well as continued economic and military assistance for Israel and Egypt.

Despite the positive trends in the post-Cold War world, our national security strategy must recognize that threats do exist, allow for uncertainty, and prepare for the possibility for setbacks. Through the Regional Peace, Security and Defense Cooperation account, the Peace, Prosperity and Democracy Act seeks to maintain programs to assist friendly and allied nations to deter and defend against aggression and to cement cooperative defense relationships through peacetime assistance programs, especially military training programs.

Chapter 4 of Title III consolidates and streamlines

existing authorities for programs to combat international terrorism and narcotics trafficking. The legislation also adds new authority to provide assistance for international crime prevention. These programs together represent highly cost effective investments in enhancing the safety of the American people. It is far less expensive to help countries seize drugs overseas than to do so in the United States. Similarly, the price of our anti-terrorism efforts pales in comparison to a single terrorist act such as the World Trade Center bombing last year.

PROVIDING HUMANITARIAN ASSISTANCE

Humanitarian assistance is important to U.S. foreign policy: Assistance to the victims of natural and manmade disasters is both a tangible expression of the values of the American people and an essential strategy for achieving sustainable development. In times of crisis, new democracies and struggling economies are often dependent on international assistance to avoid a breakdown of the fragile political and social order.

Our concept in drafting Title IV is to group in one place the three primary channels of the U.S. humanitarian response -- refugee assistance, disaster assistance, and food aid programs. While we hope that this unified presentation will enhance the understanding of the American people and of other nations of the scope of U.S. worldwide assistance efforts, let me assure the committee that this grouping will not lead to any change in the way these programs are administered. State will continue to manage U.S. refugee and migration programs, including our annual refugee admissions program, which falls under the oversight of the judiciary committees. AID will administer disaster and food assistance.

ADVANCING DIPLOMACY

The effective practice of diplomacy is critical to our success in achieving the goals and priorities of this re-written and strengthened foreign assistance act. Without a strong core foundation for the conduct of U.S. foreign policy, we would be left with a "hollow" diplomatic infrastructure inadequate to respond to the challenges and opportunities of the post-Cold War world. Through a network of over 260 overseas posts the State Department exercises the leadership and provides the operational support necessary to advance U.S. foreign policy goals. Its people and missions are critical components of our efforts to promote peace, prosperity, and democracy in a changing world. It is imperative that in conjunction with drafting a new charter for this nation's foreign assistance programs, we also strengthen the people and institutions that will carry out the mandates of this new chapter in U.S. foreign policy.

Recognizing this critical link, we have included Title VI.

Advancing Diplomacy, in the New Peace, Prosperity and Democracy Act which, though it does not authorize such programs, includes language that makes it clear that without skillful diplomacy our overseas programs are unlikely to contribute to the realization of our national goals of prosperity and peace.

Mr. Chairman, as you know, this bill is the product of close consultation between the Executive Branch and the Congress. The Administration appreciates the effort that you and your staff have invested in helping us to craft this proposal. Because we recognize the vital links between our international programs and our ability to successfully pursue our foreign policy priorities, we take this effort seriously and look forward to working with you to move this legislation.

STATEMENT OF

THE HONORABLE J. BRIAN ATWOOD
ADMINISTRATOR
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS

WASHINGTON, D.C.
FEBRUARY 3, 1994

I. INTRODUCTION

Thank you, Mr. Chairman. It is a pleasure to appear before the Committee today. I am particularly happy to be here with my old friend and colleague, Under Secretary Dick Moose.

Our joint testimony reflects Secretary Christopher's active leadership in coordinating foreign assistance reform within the executive branch.

The comprehensive reform bill submitted earlier this week by the Secretary on behalf of the President, the Peace, Prosperity and Democracy Act of 1994, establishes a totally new framework to advance U.S. national interests in the post-Cold War era. It reflects a bipartisan consensus that our international programs can and must serve both our domestic interests and our commitment to a more democratic, prosperous and stable international community.

The bill represents the results of a year-long comprehensive analysis of U.S. international programs to determine whether they continue to meet our national needs. We have endeavored in this process to consult openly and thoroughly with as many members of Congress and outside groups as possible.

As I committed myself to do the last time I testified before this Committee, I have tried to reform our foreign assistance programs from within to the fullest extent possible. Later in my testimony I will describe some of the concrete results of those efforts. While I believe we have made a good start, internal reform can only go so far. More comprehensive changes are difficult until the basic law is amended. What is needed now is a joint congressional-executive, bipartisan effort for foreign aid reform.

I am fully aware, Mr. Chairman, that the effort to reform foreign aid legislation dates back at least five years, to the seminal study by this Committee,

known as the "Hamilton-Gilman" report of 1989. Since then, you and your Senate colleagues have reported, and passed on both the House and Senate floor, significant reform legislation. Although not enacted at the time, much of that work has been incorporated in the Administration's proposed bill. We now want to build on your past bipartisan reform efforts to help enact reform legislation this year.

The Foreign Assistance Act has been the charter legislation for America's International Assistance Programs since 1961. It was originally designed to meet the threat of communism, to address the legacy of colonialism and to support development worldwide. The 1961 Act served our needs for over three decades, even though it was amended repeatedly, with new mandates often added without deleting old priorities.

But as this Committee's 1989 study so fully documented, with its compendium of the 33 statutory objectives and 75 priorities that USAID must apply in allocating funds (and that number has grown since 1989), the Foreign Assistance Act now deserves its place in history.

That conclusion was clear even before the end of the Cold War. The need for new charter legislation, a priority in 1989, is now an imperative.

Mr. Chairman, as you also know, this new bill is, in large part, a direct result of a meeting last September in which you, Speaker Foley and other members of the Congressional leadership told the Secretary and the National Security Advisor, and other members of the Administration, that the Congress was not prepared to accept business as usual as defined by the existing Foreign Assistance Act. We heard you, and the President heard you.

Since that meeting, we have engaged in an unprecedented series of bipartisan staff consultations based on a discussion draft of the bill that we sent to the Congress in November. We have also held numerous sessions with interested outside groups. Many of the suggestions and recommendations that came out of those consultations have been incorporated in the final version of the Administration's bill. It is a better product as a result.

Mr. Chairman, President Clinton is strongly committed to working with you in a bipartisan effort, this year, to finally achieve the elusive goal of foreign assistance reform.

II. KEY FEATURES OF THE NEW BILL

Just as the 1961 Act responded to the threats of its era, the new bill identifies the international challenges of the post-Cold War world, and provides us the means to respond.

Foreign policy must be founded on coherent organizing principles. This bill embodies such principles and provides the authority for the executive branch to implement them forcefully. It provides a new and more relevant framework for American foreign policy and foreign assistance programs, one based on a policy of preventive diplomacy.

Thus, the bill would give us the means to anticipate threats, and deal with them before they become intractable.

It would enable us to take action today to increase the choices available to American diplomacy in the future.

It addresses problems such as terrorism, narcotics trafficking, aiding the emerging democracies of the former Soviet bloc, addressing ethnic conflict, responding to excessive population growth, environmental degradation, nuclear proliferation and other transnational problems whose scope is much greater than could have been imagined thirty years ago and which demand the most sophisticated response we can mount.

Before turning to the rest of my testimony, let me briefly summarize the key features of the bill:

1. It authorizes both long and short-term economic and security programs; trade and investment activities, and new authority to respond to crisis situations. Programs not authorized in the bill are referred to in terms of how they contribute to the bill's overarching goals.
2. It repeals the Foreign Assistance Act of 1961, as amended, and parts of the Arms Export Control Act, and related legislation. It also repeals the legislation that created the International Development Cooperation Agency in 1979.
3. The bill is structured by major foreign policy objectives. It gives us clearly identifiable goals and requires us to produce results. Instead of authorizing numerous, discrete and sometimes unconnected programs, the bill authorizes activities to achieve interrelated goals such as sustainable development, promoting peace or promoting prosperity through trade and

investment.

4. The bill is a permanent charter rather than an annual authorization of appropriations. It is intended to be free standing, permanent law that authorizes programs for which funds would be authorized in separate authorization bills.

In describing the new bill, I want to focus on the following:

- How the new bill addresses post-Cold War needs.
- The long-term challenges of sustainable development.
- Meeting immediate needs: crises and humanitarian assistance.
- The importance of coordination and leveraging, and, finally,
- How we will manage USAID to achieve results.

Under Secretary Moose has discussed the relationship of the new bill to our broader foreign policy objectives; the relationship between diplomacy and the programs authorized by the bill; security assistance, and programs designed to advance our economic interests through trade and investment.

III. MEETING POST COLD-WAR NEEDS

President Clinton has defined three areas of enduring, vital U.S. interests: national security, economic revitalization, and the promotion of democracy.

The collapse of communism has changed our understanding of our national security. Instead of an overwhelmingly military threat, we now face a broader range of international problems including those arising from local and regional conflicts, political chaos, economic deterioration or collapse, and environmental degradation.

This bill is a charter designed to meet these challenges well into the next century. Its goals are the best ways to project the U.S. national interest: promoting sustainable development; building democracy; promoting peace; providing humanitarian assistance and promoting prosperity through trade and investment. A sixth goal, advancing diplomacy, identifies how our diplomatic efforts can be used to achieve each of these objectives.

A distinctive feature of the new bill is that it contains reference to the various

departments and agencies within the executive branch that carry out foreign assistance programs under the 150 account. These references are intended to demonstrate that the congressionally mandated programs of these departments and agencies will be carried out in a manner consistent with the new goals articulated in the reform legislation.

I want to concentrate my remarks today on how the bill allows us to achieve results in the following four titles: sustainable development, building democracy, providing humanitarian assistance and promoting growth through trade and investment. These areas are the ones in which USAID will be most actively involved. USAID will also help to achieve the two remaining goals (promoting peace and advancing diplomacy). My colleague, Mr. Moose, has described how all of the authorities in the bill will work towards achieving our fundamental foreign policy interests.

IV. THE LONG TERM CHALLENGE OF SUSTAINABLE DEVELOPMENT

The Clinton Administration has identified sustainable development as the cornerstone of its development assistance efforts and also as a key element of its foreign policy. It is the first title of the new bill, in part, because it forms a philosophical base for the entire bill.

Promoting sustainable development is vital to the United States. By the year 2000, 4 out of 5 people in the world will live in developing countries. Our interests and our markets will be shaped by events in those countries. The quality of life in developing nations will increasingly come to define our own quality of life -- politically, economically, socially. Without sustained development, national and regional economic, political and security problems proliferate; and because overpopulation and environmental destruction threaten to undercut the best efforts of nations to build peace and prosperity.

Sustainable development signifies broad-based, economic growth which protects the environment, enhances human capabilities, upholds democratic values, and improves the quality of life for the current generation while preserving that opportunity for future generations. The ultimate measure of success of development cooperation programs is the enhanced ability of developing countries to overcome the obstacles to self-sustaining development. Sustainable development programs pursue this objective by supporting the self-help efforts of developing countries to implement sound policies, invest in their people, and build effective and accountable indigenous political, economic and social institutions.

Title I of the bill contains ~~four inter-dependent~~ objectives on which our bilateral assistance efforts should focus in pursuit of sustainable development.

1. ENCOURAGING BROAD-BASED ECONOMIC GROWTH

Broad-based economic growth signifies equitable and inclusive economic expansion in developing countries. Such growth is in the economic, political, and strategic interests of the United States because it creates markets and reduces the threat of global problems such as population growth and environmental degradation. Economic progress also improves the prospects for the spread of democracy and political values supportive of United States interests. Economic stagnation or narrowly-based economic growth may fuel political instability and threaten international security and cooperation.

Broadly-based, sustainable, participatory growth requires: investment in people, particularly poor men and women, in the form of health, child survival, education, and other critical social services and systems improvements; an enhanced role for markets through improved macroeconomic policies and other appropriate policy reforms, stronger institutions, and sound public investments; enhanced food security and sustainable improvement in agriculture; and measures to ensure that the poor have access to productive resources and fully participate in the benefits of growth in employment and incomes.

2. REDUCING EXCESSIVE POPULATION GROWTH RATES

Excessive population growth aggravates poor health conditions, perpetuates poverty, and inhibits saving and investment, particularly investments in people in the form of basic health and education services. Continued growth in world population rates will undercut sustainable development efforts. Unsustainable population growth is directly linked to degradation of the natural resources base and the environment and contributes to economic stagnation and political instability, and retards progress on global issues of direct concern to the United States.

Our primary objective is to help reduce excessive population growth to rates that are consistent with sustainable, broadly-based development. This calls for a focus on enhanced access to quality family planning services and reproductive health care, increasing infant and child survival rates, improving female literacy and education, and raising the economic and social status of women.

3. PROTECTING THE GLOBAL ENVIRONMENT

The economic and social well-being and the security of the United States depend critically on the global environment and physical resource base. Patterns of consumption, systems of industrial and agricultural production, and use of natural resources directly affect the sustainability of long-term development and the environment. Development that does not take account of its environmental consequences will not be sustainable. The poor not only suffer disproportionately from the consequences of environmental degradation, but also contribute to that degradation as they struggle to meet their own basic needs.

Sustainable development programs authorized by this bill should address the root causes of environmental harm, promote environmentally-sound patterns of growth and support improved management of the environment and natural resources. These activities include efforts to address urgent global environmental challenges, including the loss of biological diversity and global climate change, as well as efforts to address significant environmental problems within countries and regions. Such efforts seek to promote sound environmental policies and practices which simultaneously enhance long-term economic growth.

4. SUPPORTING DEMOCRATIC PARTICIPATION

It is in the national interest of the United States and in keeping with our democratic traditions to support democratic aspirations and values, foster the spread of enduring democratic institutions, and encourage universal respect for civil and human rights. The establishment of local governance, civil society, and democratic institutions is an essential element of the ability of nations to sustain development efforts.

Sustainable development programs must help to build and strengthen organizations and institutions that foster participation in economic and political decision-making at the local and national levels. Such programs should help promote respect for human rights and the rule of law; the ability of all citizens to choose freely their government and to hold that government accountable for its actions; efforts which advance legal, social and economic equality; respect for the rights of women and minorities; and principles of tolerance among and within religious and ethnic groups.

In addition to pursuing these four objectives, Title I of the bill recognizes that sustainable development will only be achieved if programs incorporate several cross-cutting principles:

Popular Participation: Sustainable development depends for its success

on the empowerment of people to make political and economic decisions. The more potential beneficiaries are actively involved in the planning and implementation of development programs, and the greater their stake in the outcome of those programs, the more likely it is that the programs will succeed.

Role of Women: The expansion of women's opportunities is essential to reduce poverty, lower population growth, and bring about effective and sustainable development. Women must be involved as agents, as well as beneficiaries, of change in all aspects of the development process. Women, therefore, should be integrally involved in policies, programs, and projects undertaken to achieve the objectives and purposes of the proposed legislation.

Non-Governmental Organizations: For development to be broad-based and sustainable it must engage non-governmental organizations, including private voluntary organizations, universities, cooperatives and credit unions, labor unions, women's groups and indigenous local organizations in the policy and program process, including regular involvement of such groups in the formulation of USAID's development strategies for countries and sectors.

Finally, programs undertaken to achieve sustainable development in all sectors must recognize the importance of education and training, including the involvement of institutions of higher education.

In addition to sustainable development programs focused on the four objectives I have just discussed, Title I of the bill also contains a section entitled the "Development Fund for Africa", which describes the unique development challenges facing that continent. The bill does not contain a separate authorization for Africa, but our annual Congressional presentation documents will show that we continue to assign high priority to that area. Title I also includes a separate authorization for microenterprise credit programs and other credit programs and describes the important partnership relationship USAID must have with U.S. colleges and universities, private voluntary organizations, cooperatives and credit unions, and labor unions if it is to achieve its sustainable development objectives.

V. URGENT NEEDS: BUILDING DEMOCRACY (TITLE II) AND PROVIDING HUMANITARIAN ASSISTANCE (TITLE IV)

Up to now, I have focused my remarks on the principles inherent to sustainable development in Title I of the bill. Titles II and IV contain authorities related to Title I, but which will generally be applied in circumstances where sustainable development is not the immediate objective being sought.

A. PROMOTING DEMOCRACY

Title II (building democracy) contains authority, among other things, to strengthen civil society where countries or areas are emerging from situations such as anarchy or civil strife. This new authority is contained in Subchapter A of Chapter 1 of Title II, called Countries in Transition. It would allow the President or the Secretary to respond rapidly to unstable situations where short-term assistance may mean the difference between a country or region falling back into chaos or moving into a state of sustainable development. Subchapter A of Chapter 1 of Title II would authorize assistance to (1) address political, economic and humanitarian needs that arise in connection with transitions, or that if unmet undermine or threaten democratic institutions, and (2) to help meet security challenges on a transitional basis that threaten to impede or reverse democratic reforms or institutions.

Our ability to respond rapidly in time of crisis is more crucial than ever. In places like Somalia, Liberia, and Angola, "development" no longer has meaning. The term denotes progress and modernization, but by any meaningful standard, these nations are no longer "developing". In these countries, by stages, conflicts have become intractable, irreconcilable. They feed on themselves, consuming the sense of nationhood and the institutions of national unity and conflict resolution. At each stage, as chaos grows greater, the cost of reconstruction becomes geometrically larger.

We need to be able to answer urgent requirements in these societies that are not addressed by traditional disaster relief, conventionally managed development programs, or international peacekeeping operations. USAID must become more relevant to the U.S. policy agenda in urgent, transitional situations by having the ability to provide assistance to address political, economic and humanitarian needs.

In addition to authority for these new crises situations, Subchapters B and C of Chapter 1 of Title II will continue to authorize assistance for the Independent States of the Former Soviet Union and for Central and Eastern Europe, respectively. These authorities are basically continuations of existing law (the Freedom Support Act and the Support for Eastern European Democracy Act (SEED)).

B. HUMANITARIAN ASSISTANCE

Title IV (providing humanitarian assistance) authorizes programs to respond to the victims of manmade and natural disasters. The bill reflects the humanitarian impulses of the American people to relieve human suffering through direct disaster relief or by providing assistance on behalf of refugees and other victims of forced migrations.

VI. PROMOTING GROWTH THROUGH TRADE AND INVESTMENT

The Administration is committed to an agenda of economic renewal.

Title V of the bill authorizes programs to establish or maintain markets for American goods and services, creating new jobs and enhancing prosperity at home. These programs are designed to complement sustainable development efforts to create viable markets for U.S. Exports.

VII. COORDINATION AND LEVERAGING

The bill recognizes the Secretary of State's paramount role in coordinating all overseas programs, including coordination within the executive branch of budget and foreign policy issues. The new bill does not alter this traditional role.

The bill also recognizes that we need to leverage our scarce resources by convincing others to work with us. We must seek and secure international cooperation in our efforts. The bill therefore notes the importance of working in concert with other bilateral donors and multilateral organizations.

Similarly, while the bill does not establish a statutory executive branch coordination mechanism to replace the Development Coordination Committee, the thrust of the new bill is to achieve a new philosophy whereby all the programs authorized by Congress focus on common national goals. This will reinforce this Administration's already strong commitment to the internal coordination of programs and resources.

VIII. SETTING PRIORITIES AND MANAGING AID FOR RESULTS

Finally, Mr. Chairman, I want to talk about results: how will we measure results of programs authorized by the new bill, and what are the results of our efforts to revitalize USAID.

The proposed bill recognizes that outside assistance cannot substitute for a developing country's own efforts to improve the lives of its people. The United States should only provide assistance which yields enduring results in terms of improving the lives of its intended beneficiaries and contributing to the interests of the American people.

Sustainable development programs under the proposed new bill will be concentrated in countries that have the greatest need for such programs, that make the

most effective use of such programs, and that have a commitment to achieving clear development objectives. Our assessment of need will be based on criteria drawn from the four components of sustainable development -- such as fertility rates, child survival, depletion of natural resources, environmental threats to human health, poverty levels and other socio-economic indicators -- and will be assessed in light of USAID's comparative ability to address those needs. Our criteria include an enabling environment in which truly free market economies emerge; in which government decision-making is transparent; government institutions are accountable to the public; an independent and honest judiciary is maintained; authority is decentralized; local government bodies are democratically elected; and political parties, non-governmental organizations, and the media operate without undue constraints.

Under the terms of the bill, USAID will assess the commitment and progress of countries in moving toward commonly agreed development objectives. We will establish open and transparent systems to monitor the results of assistance by sharpening our own capacity to measure results as defined by the agency's new strategy and implementation guidelines, and by sharing fully our objectives, criteria and data with host country governments, as well as local and U.S. NGOs and PVOs with whom we work. We will be prepared to make the tough choices necessary to shift scarce resources from unproductive programs, sectors or countries to those which have demonstrated the commitment and ability to use them effectively.

In terms of management and organization, I realize that unless USAID is effectively managed, no amount of resources or reform legislation will lead to the kind of measurable, concrete results we all want.

I know we are asking for increased flexibility by requesting authorizations for broad national objectives instead of specific programs; and that this is of concern to many in Congress who believe that in return for this flexibility, Congress must be able to hold us accountable for results.

This is what I mean by results:

- In my first nine months as Administrator, we have announced terminations of 21 overseas missions. In some cases we have done this because countries no longer require concessional assistance; in others because the recipients have proven to be poor development partners.

We have also:

- Embarked on an agency-wide "rightsizing" effort that will simplify and

streamline the agency. I have made painful personnel decisions that affect particularly AID's senior ranks. While not aimed at reducing personnel, *per se*, we expect to reduce overall AID staff levels by 5.5 percent in the first two years of the Clinton Administration. We have reorganized USAID Headquarters by eliminating redundant layers of bureaucracy and by combining organizational units to make the organization more responsive to direction.

- Introduced a systemic reform of USAID's grant and contract mechanisms to make them more transparent, efficient and responsive.
- Established AID as a reinvention lab in Vice President Gore's Reinvention of Government Program, including creation of an Agency-wide Quality Council to involve all employees in the process of revitalizing USAID.
- Strengthened interaction at the most senior levels of USAID and the State Department to improve and speed decision-making and encourage cooperation at all levels.
- Established a systematic program of consultations with outside groups representing all segments of American society to help us reinvent USAID and to carry out our mission. These outside groups represent business, labor and private voluntary organizations, among others.
- Issued detailed strategy papers for our program managers on how to achieve sustainable development.

What I am suggesting, by dwelling on these administrative reforms, is that I will need your help to manage USAID for results. We need a new partnership with the Congress to reach our goals: if you give us the legislative tools, we will deliver measurable results towards our overall objectives.

I know that means more work for both of us -- more and better advance consultations. But only if we enter into this partnership will we be able to reach the objectives all of us share.

IX. CONCLUSION

In conclusion, Mr. Chairman, there is wide agreement that the organic legislation under which our assistance programs operate is long overdue for a major

overhaul. The end of the Cold War enables us to focus, in a way not heretofore possible, on results — results achieved in partnerships with nations that truly care about the development of their societies and the participation of their people. It is long past time to rewrite the charter that authorizes our foreign assistance programs. It is time not only for a new legislative beginning, it is time now for the executive and legislative branches to agree on a new set of organizing principles for our foreign policy. We look forward to working with you in the weeks and months ahead to help fashion a new charter for overseas cooperation programs that truly reflect the interests of the American people.

I look forward to your questions.

FOREIGN AID BILL REFORM; HEARING WITH A.I.D.
ADMINISTRATOR BRIAN ATWOOD

HONORABLE ENI F.H. FALOMAVAEGA
FOREIGN AFFAIRS COMMITTEE
FEBRUARY 3, 1994

MR. ATWOOD, WELCOME TO THE COMMITTEE. AND YOU HAVE MY SYMPATHIES FOR THE DIFFICULT TASK YOU HAVE BEEN CHARGED WITH IN STREAMLINING A.I.D AND SHARPENING THE FOCUS OF THE AGENCY'S MISSION.

I TOO SHARE MANY OF THE CONCERNS RAISED BY MY COLLEAGUES WITH THE FOREIGN AID REFORM BILL SUBMITTED BY THE ADMINISTRATION.

ADDITIONALLY, I AM VERY CONCERNED WITH A.I.D'S PLANS WITH REGARD TO ITS PACIFIC ISLAND REGIONAL PROGRAM.

ALTHOUGH THE PACIFIC PROGRAM IS PRESENTLY FUNDED AT A VERY MODEST LEVEL -- FROM MY DISCUSSIONS WITH ISLAND LEADERS -- IT HAS MADE SIGNIFICANT CONTRIBUTIONS TO THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE 10 ISLAND NATIONS IT SERVES.

THE NEED TO CLOSE A.I.D.'S MISSIONS IN SUVA AND PORT MORESBY TO SAVE OVERHEAD MAY BE UNDERSTANDABLE. HOWEVER, I

AND OTHER MEMBERS IN CONGRESS FEEL STRONGLY THAT THE MODEST LEVEL OF PROGRAM ASSISTANCE TO THE REGION SHOULD NOT BE JEOPARDIZED WITH FURTHER CUTS.

CLOSURE OF THE MISSIONS COMBINED WITH PROGRAM CUTS SENDS A CLEAR MESSAGE THAT AMERICA IS NO LONGER CONCERNED WITH THE NEEDS OF HER SOUTH PACIFIC ALLIES AND FRIENDS. IN PARTICULAR, IT MAKES A MOCKERY OF BOTH BUSH AND CLINTON ADMINISTRATION COMMITMENTS TO SUPPORT SUSTAINABLE DEVELOPMENT INITIATIVES IN THE SMALL ISLAND STATES, AND WOULD UNDERCUT PROGRESS ACHIEVED IN THE AREAS OF POPULATION CONTROL, AIDS PREVENTION, AND ENVIRONMENTAL PROTECTION.

STATEMENT OF REPRESENTATIVE BENJAMIN A. GILMAN

I want to join our distinguished Chairman in welcoming Administrator Atwood and Under Secretary Moose this morning to formally begin the process of reforming our foreign assistance program. I am eager to hear the Clinton Administration's rationale for the changes they are recommending in the legislative request they have just submitted.

At the outset I want to state the high regard I have for Administrator Atwood. I believe he is truly committed to improving the management of our foreign assistance program. As you know, I do have some concerns about the direction of the reform effort. Those concerns are programmatic, and not in any way a reflection on your stewardship.

Last June I stated on the House floor that, along with other Republican Members, I was losing patience with the pace of reform. I am still troubled that your reform package fails to address the consolidation of numerous programs currently being administered under different authorities in different departments and agencies.

If we are to utilize better the resources made available for foreign assistance activities, we need to do all we can to achieve efficiencies through rational management.

I will be interested to hear how the Clinton Administration plans to assure Congress that the promises of Camp David will be kept. Many of us believe that promise merits legislative status.

This Committee was quite active in the creation of the National Endowment for Democracy, an organization that is quite familiar to Administrator Atwood. I believe my colleagues will want to know how the Endowment will be affected by the democracy thrust being promoted in your legislative request.

These are but a few of the areas where I have some questions. However, what is even more important is the recognition of the need once again to develop a bipartisan consensus regarding foreign assistance. I, along with other Republican Members, am interested in joining the dialogue to foster a new consensus to meet the challenges of the post-Cold War world. I have several additional points to raise which I shall address after our witnesses' testimony.

REMARKS OF THE HONORABLE DON MANZULLO
BEFORE THE FOREIGN AFFAIRS COMMITTEE
ON FOREIGN AID REFORM
FEBRUARY 3, 1994

Mr. Chairman, I commend you for holding hearings on the issue of foreign aid reform. Foreign assistance is greatly misunderstood by the American people. It is usually the top spending program that Americans recommend cutting or abolishing when discussing the federal budget deficit problem.

You know as well as I do, Mr. Chairman, that foreign aid is almost a misnomer because 73 percent of all "foreign" aid and 94.5 percent of all "foreign" military aid is spent in the United States. In 1991, more than \$9.2 billion in direct economic and military aid was reinvested in the U.S. economy, creating over 180,000 American jobs.

But every program deserves strict accountability and review. I look forward to the testimony of the distinguished witnesses before us on their recommendations for a post-Cold War foreign aid policy. The American people will no longer support "warm feelings" about foreign aid. They want to know how it will benefit American interests.

The issue close to my heart is reforming foreign exchange programs. According to the United States Information Agency, there are 23 different departments and agencies that conduct international exchange and training programs. It's time to consolidate these programs. Many Americans cannot afford the luxury of travelling across their state. To learn that there are 23 different bureaucracies each controlling their own very interesting but not essential foreign exchange program doesn't sit right with them.

That's why I was encouraged to read the discussion paper prepared by the USIA last October advocating the consolidation of various exchange programs. I include the relevant section of that paper for the record. I am very much interested in working with USIA to streamline the bureaucratization of international exchange programs.

Thank you, Mr. Chairman.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994 Executive Summary

The Peace, Development & Democracy Act (PDDA) of 1994 provides a comprehensive overview of all major programs receiving funding within the International Affairs Budget function, and serves as the basic authorization charter for most of these programs. Titles I through V of the bill contain the authorities to carry out foreign assistance programs. Title VI of the bill addresses (but authorizes no funds for) the relationship of diplomacy to the achievement of the objectives of the bill. Title VII contains certain special authorities, limitations on the provision of assistance, and reporting requirements. Titles VIII and IX contain administrative and technical and conforming provisions. The bill repeals the great majority of the Foreign Assistance Act of 1961, except for provisions relating to the former Soviet Union, loan guarantees for Israel, and the Enterprise for the Americas Initiative.

SUSTAINABLE DEVELOPMENT -- TITLE I

Title I of the PDDA authorizes a single appropriation for sustainable development assistance. The title defines "sustainable development" and directs that such assistance be targeted on four interrelated objectives:

- encouraging broad-based economic growth,
- protecting the global environment,
- supporting democratic participation, and
- stabilizing world population growth.

The PDDA emphasizes certain cross-cutting principles necessary to achieve the objectives of this title: the need to enhance popular participation in the planning and implementation of development programs; the need to involve women as agents as well as beneficiaries of change in all aspects of the development process; the need to fully engage nongovernmental organizations and U.S. institutions; the need to manage activities and focus programs so that they that will yield enduring results; and the need to coordinate efforts with other bilateral and multilateral donors.

To carry out the programs in this title, a wide variety of means are authorized, including micro-enterprise and other credit programs. There is specific language in this title explaining the need for assistance for sub-Saharan Africa, however funding would be derived from the single authorization for sustainable development. Since the bill does not contain a separate authorization for the current International Organizations and Programs account, funding for those international organizations that are developmental in nature will be derived from the authorization for title I. Similarly, other titles, depending on their appropriateness, will be the source of other voluntary contributions to international organizations.

BUILDING DEMOCRACY -- TITLE II

Title II of the PDDA recognizes that the fostering of democratic values will often require the provision of assistance in amounts or in a manner that is not normally justified under the other titles of the bill.

A general authority is provided to allow the provision of assistance to countries that have recently emerged or are in the process of emerging as democratic societies; have recently emerged or are emerging from civil strife; or where democratic progress or institutions are threatened. The objective of this program is to facilitate the worldwide trend toward more open and just societies. It can include such activities as:

- election assistance and the promotion and development of democratic institutions,
- assistance to meet economic and humanitarian needs arising from transitions or which threaten to undermine democratic institutions, and
- assistance to meet security challenges that threaten to impede or reverse democratic reforms.

To a limited extent, assistance to military or law enforcement forces can be provided. Assistance may be made available notwithstanding any other provision of law. The bill contains a separate authorization for this general authority. Assistance administered through the Department of Defense would be capped at the level contained in the annual congressional presentation.

A second authorization in this title is for assistance for the former Soviet Union. The existing provisions related to such assistance contained in the Foreign Assistance Act of 1961 have not been repealed. This portion of title II authorizes funds to carry out the democratization and free market purposes of assistance to the NIS.

The third authorization contained in this title is for assistance for Central and Eastern Europe. After a general statement of policy, the bill authorizes appropriations to carry out SEED actions as that term is defined in the current SEED Act of 1989.

PROMOTING PEACE -- TITLE III

Title III of the PDDA recognizes that in the wake of the Cold War serious threats persist to the security and interests of the United States. These threats range from regional and internal conflicts to transnational problems of narcotics trafficking, terrorism, and other international criminal activity. This title addresses these issues.

CHAPTER 1 -- PEACEKEEPING AND RELATED PROGRAMS

Chapter 1 of this title authorizes contributions for assessed peacekeeping activities and for voluntary peacekeeping activities. The President is provided with the authority to transfer funds between these two accounts. In addition, in the event of an unforeseen emergency, the President is authorized to draw down articles and services in an amount not to exceed \$100 million in any fiscal year, from the inventory and resources of any agency of the U.S. Government.

CHAPTER 2 -- NONPROLIFERATION AND DISARMAMENT FUND

Chapter 2 of this title provides an authorization for a Nonproliferation and Disarmament Fund. The Fund would be used, among other things, to support destruction of nuclear, chemical, and biological weapons, to halt the proliferation of such weapons, to increase effectiveness of existing nonproliferation and arms control agreements, and to establish programs for preventing diversion of weapons-related expertise.

CHAPTER 3 -- REGIONAL PEACE, SECURITY AND DEFENSE COOPERATION

Chapter 3 of this title authorizes assistance for the following purposes to:

- support and promote the process of resolving conflict and establishing a just and lasting peace, to contribute to the development of institutions of democratic government, and to meet economic, political and security needs, in the Near East;
- meet immediate threats to international peace and security posed by regional and internal conflicts through bilateral or multilateral collective defense efforts, and to meet other political, economic and humanitarian threats to security; and
- enhance the ability of countries worldwide willing to share the burden of contributing to regional alliances, coalition operations, and other collective security efforts to counter threats to and maintain international peace and security.

A primary consideration in providing such assistance is to shift resources away from the provision of defense articles to economic development purposes. Assistance administered through the Department of Defense would be capped at the level contained in the annual congressional presentation.

CHAPTER 4 -- INTERNATIONAL NARCOTICS TRAFFICKING, TERRORISM AND CRIME PREVENTION

Chapter 4 of this title provides a single authorization for anti-narcotics, anti-crime, and anti-terrorism programs, including activities to enhance the ability of law enforcement and defense personnel to combat international criminal activity, to enhance anti-terrorism skills of foreign law enforcement and defense personnel, and to promote international criminal justice by, among other things, promoting enhanced police investigative techniques, prosecutorial and defense skills, and judicial administration and training. Certain provisions now included in the International Narcotics Control chapter of the FAA are addressed in this chapter of the bill. Assistance administered through the Department of Defense would be capped at the level contained in the annual congressional presentation.

PROVIDING HUMANITARIAN ASSISTANCE -- TITLE IV

This title contains the current statutory authorities for refugee, migration and international disaster assistance. Funds for these programs are separately authorized.

CHAPTER 1 -- REFUGEE ASSISTANCE

Title IV includes authority for the Refugee and Migration Assistance program, including the emergency refugee and migration assistance fund to achieve the following purposes:

- provide assistance on the behalf of refugees and other victims of forced migration,
- contribute to the activities of international organizations who provide refugee assistance, and
- provide assistance to promote the prevention and solutions of refugee and migration problems.

The Migration and Refugee Assistance Act of 1962, under which these programs are currently being operated, is repealed.

CHAPTER 2 -- DISASTER ASSISTANCE

Chapter 2 contains the current statutory authorization for international disaster assistance. In addition, new authority is provided to utilize a portion of disaster assistance funding for rapid response for reconstruction and institutional-building needs arising from disasters.

PROMOTING GROWTH THROUGH TRADE AND INVESTMENT -- TITLE V

CHAPTER 1 -- OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

Chapter 1 of this title authorizes the investment insurance, financing, and other programs of the Overseas Private Investment Corporation. Funds for OPIC programs are separately authorized.

The management and administrative authorities and requirements pertaining to OPIC are contained in title VIII of the bill.

CHAPTER 2 -- TRADE AND DEVELOPMENT AGENCY

Chapter 2 of this title continues the Trade and Development Agency as a separate agency under the foreign policy guidance of the Secretary of State. TDA authorities are the same as under current law. Management and administrative authorities and requirements pertaining to TDA are contained in title VIII of the bill.

ADVANCING DIPLOMACY -- TITLE VI

Title VI of the PDDA consists of a statement of findings regarding the relationship between United States diplomatic efforts and the achievement of the objectives contained in the previous five titles of the bill. This title does not authorize any appropriations of funds.

SPECIAL AUTHORITIES, RESTRICTIONS ON ASSISTANCE AND REPORTS -- TITLE VII

CHAPTER 1 -- SPECIAL AUTHORITIES

Chapter 1 of this title contains special authorities that may be exercised in the provision of assistance authorized by the bill. These provisions are, in most instances, modeled on existing provisions of law contained in authorizing or appropriations legislation, but have been modified to provide necessary flexibility in program administration. They include, among other things:

- authority to transfer funds among any of the accounts established in titles II through V of the bill,
- a waiver authority comparable to the current section 614 of the FAA;
- special authority to provide assistance to meet certain unanticipated contingencies or emergencies;
- exemption of assistance provided through nongovernmental organizations from the application of restrictions on assistance to a country;
- exemption of certain programs (e.g., AIDS, child survival activities) from such restrictions unless the restriction specifically prohibits those programs;
- drawdown authorities in the case of unforeseen emergencies and under special circumstance involving refugee or disaster needs or for anti-narcotics, anti-terrorism, or anti-crime purposes.

CHAPTER 2 -- RESTRICTIONS ON ASSISTANCE

Chapter 2 of this title contains certain restrictions on assistance and exceptions to those restrictions. Section 7201 identifies 7 categories of countries, the governments of which may not receive assistance. These are: communist countries, human rights violators, countries that have expropriated U.S. property, a country whose duly-elected head of government was overthrown by military coup or decree, terrorist countries, major illicit drug producing or major drug transit countries for which the President has not made the necessary certification required by the bill, and countries in arrears for more than a year on certain debt obligations owed to the United States Government. This section allows certain exceptions from the prohibition on assistance. Further, this section and other sections in this chapter define what actions trigger the sanctions contained in section 7201.

Other sections in chapter 2 provide restrictions on: funding to coerce any person to practice abortions.

the impact of authorized activities on jobs in the U.S., and countries which engage in nuclear proliferation (ie: the Pressler and Glenn/Symington provisions). This chapter also provides for certification procedures for countries that are considered major illicit drug producing or drug transit countries.

CHAPTER 3 -- REPORTS AND NOTIFICATIONS TO CONGRESS

Chapter 3 of this title contains requirements for the annual human rights and narcotics control reports. In addition, the current requirement to report to the Congress on the country allocation of newly appropriated funds is continued. Provisions regarding congressional presentation documents and congressional notification procedures are included and reflect consultations with Congress.

GENERAL PROVISIONS -- TITLE VIII

This title includes administrative authorities necessary to implement the provisions of the PDPA. It retains, but updates, many of the administrative authorities contained in the current FAA.

CHAPTER 1 -- EXERCISE AND COORDINATION OF FUNCTIONS

Provisions contained in chapter 1 of this title include: specification of the roles of the Secretary of State and the Secretary of Defense, establishment of the United States Agency for International Development as an agency of the United States under the foreign policy guidance and subject to the supervision and direction of the Secretary of State.

CHAPTERS 2, 3 & 4 -- ADMINISTRATIVE AUTHORITIES

Chapter 2 contains provisions regarding allocations of funds among agencies, drawdown limitations, general administrative authorities on the uses of funds. Included in this chapter are certain administrative authorities related to the Department of Defense.

Chapters 3 and 4 contain certain special requirements and includes the requirement for the authorization of funds before they can be obligated or expended, proportional reduction of earmarks under certain circumstances, procurement requirements, authority to use excess property and the authority to transfer excess defense articles, authority to maintain stockpiles outside the United States, and limitations on the value of additions to war reserve stocks.

CHAPTER 5 -- PERSONNEL AND ADMINISTRATIVE EXPENSES

Chapter 5 contains personnel authorities and the authorization of appropriations for USAID operating expenses and for operating expenses of the USAID Office of the Inspector General. The administrative authorities for OPIC and TDA are also included in this chapter.

TECHNICAL AND CONFORMING PROVISIONS -- TITLE IX

This title contains savings provisions, repeals of previously enacted laws, and changes to existing law to conform to the provisions of this bill.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Title I -- Promoting Sustainable Development

With the end of the cold war, the United States must redesign its foreign policy tools in a comprehensive, long-term approach to promoting America's national interests. The post cold war environment demands new strategies, programs and policies to meet the development challenges facing the international community.

The United States has a historic opportunity to advance our long-term national interests by addressing the emerging transnational threats to our security: persistent poverty, global environmental degradation, failed states, and rapid population growth. U.S. prosperity and security in the 21st century depend directly on the successful pursuit of sustainable development policies built on an abiding commitment to democracy and free-market principles.

We must forge strong partnerships in these endeavors with other governments, non-governmental organizations and individuals. We must dedicate our efforts only where common development objectives are shared, and where governments are willing to make the hard choices that participatory development sometimes demands.

To forward this agenda, Title I of the Peace, Development & Democracy Act (PDDA) authorizes a single appropriation for sustainable development assistance. The title defines "sustainable development" as broad-based economic growth which protects the environment, enhances human capabilities, upholds democratic values and improves the quality of life of the current generation while preserving that opportunity for future generations. The Act directs that such assistance be targeted on four interrelated objectives:

- encouraging broad-based economic growth;
- protecting the global environment;
- supporting democratic participation; and,
- stabilizing world population growth.

The PDDA emphasizes the crosscutting principles necessary to achieve the objectives of this title: the need to enhance popular participation in the planning and implementation of development programs, the need to involve women and other traditionally disenfranchised groups in economic and social decision-making, the need to coordinate the efforts between non-governmental organizations, multilateral and bilateral donors, and U.S. institutions, and the need to focus on concrete and lasting results.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Title I -- Promoting Sustainable Development Protecting the Global Environment

Environmental problems threaten world economic growth, political stability, and human welfare. They range from local to global in scale, permeate every aspect of development, and affect everyone on the planet. Global climate change, loss of biological diversity, air and water pollution, degradation of soils, misuse of pesticides, and wasteful or unsafe energy production are just a few of the problems that link us in a common need to achieve environmental security for all nations.

USAID is pursuing two strategic goals:

- Reducing long-term threats to the global environment, particularly loss of biodiversity and climate change; and
- Promoting sustainable economic growth locally, nationally, and regionally by addressing environmental, economic, and developmental practices that impede development and are unsustainable.

GLOBALLY USAID works with key climate change countries to reduce greenhouse gas emission sources, promote renewable and efficient energy and limit deforestation. USAID is also working to preserve biodiversity, with special emphasis on those areas most threatened.

LOCALLY USAID adapts its programs to fit a country's specific problems. At the local level, USAID will:

- seek sustainable ways to use forests, wetlands, coastal zones, coral reefs, other vital ecosystems, and water resources, and
- encourage efficient and sound energy use and production and adequate waste management.

USAID works on regulatory, statutory, enforcement, policy and institutional issues, and social and economic patterns, including the lack of local participation and empowerment, inadequate education, and the need for technical research.

Environmental programs within USAID not only stand on their own merits, but they also are integrated into the other three Agency strategies. USAID also coordinates its global environmental programs with other donors and multilateral interventions to support Agenda 21.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Title I -- Promoting Sustainable Development Supporting Democratic Participation

The PDDA recognizes the importance of strengthening democratic government as essential for achieving sustainable development. Supporting democratic participation is one of four interdependent objectives identified by the PDDA as contributing to sustainable development.

Democratization is an essential part of sustainable development because it facilitates protection of human rights, informed participation and public sector accountability. USAID's success in the other core areas of sustainable development is inextricably related to democratization and good governance. Repression, exclusion of marginalized groups, human rights abuses, disregard for the rule of law, corruption and autocracy are antithetical to development and the values of the United States.

Democracy's freedoms permit the formation of a wide range of non-governmental organizations throughout society, including community associations, service providers, unions, advocacy groups and religious institutions. These private organizations often stimulate innovation in production and social services, confront corruption, advocate respect for human rights, and promote and defend democratic processes and institutions.

In providing support in the democracy sector, USAID faces a twofold task: helping people make the transition to democracy from authoritarian rule and facilitating the empowerment of individuals and communities in non-democratic societies. Democracies create climates conducive to sustainable development. These latter goals are accomplished not only through democracy programs, but also through economic and social development programs that mandate participation, transparency and accountability.

The types of programs identified in the bill include those that promote:

- respect for human rights and the rule of law;
- an expanding role for non-governmental and citizens' organizations;
- means to enhance citizen access to public information;
- the ability of all citizens to freely choose their leaders;
- the growth of a free and independent media;
- efforts that advance legal, social and economic equality for women, workers and minorities; and,
- principles of tolerance among and within religious and ethnic groups.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Title I -- Promoting Sustainable Development Stabilizing World Population Growth & Protecting Human Health

USAID recognizes that rapid population growth which outstrips the resources and infrastructure of many countries is a major contributor to underdevelopment, political destabilization, and environmental degradation.

In order to address this issue constructively and humanely, the focus of USAID's programs is on promoting the rights of individuals and couples to determine freely and responsibly the number and spacing of their children through family planning and reproductive health services. The moral as well as the practical imperatives of this focus are to direct resources also toward activities which improve individual health, with special attention to child survival and to the prevention of HIV/AIDS. In this way, decisions to have smaller families will be directly supported by the improved security and well-being of individuals and families.

USAID's strategic goals in this area are mutually reinforcing, and will contribute to a cooperative global effort:

- to stabilize the world's population at less than 10 billion by the year 2050, with very low growth thereafter;
- to reduce child mortality rates by one-third over this decade;
- to reduce maternal mortality rates by one-half during this same period; and
- to reduce the rate of new HIV infections by 15 percent.

The core of USAID's programs in this area is the development of self-sustaining, high-quality, voluntary family planning systems and services, including information on family planning methods, distribution of contraceptives, and directly related reproductive health services, especially for women and adolescents. These core programs will be directly linked with child survival, maternal care, and, where appropriate, HIV/AIDS prevention activities. Further, the contribution of basic education for girls and women will receive special attention.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Title I -- Promoting Sustainable Development Encouraging Broad-based Economic Growth

Achieving broad-based economic growth and poverty reduction in developing countries is in everyone's best interest. It contributes to political stability and civil order, and fosters democracy. It creates expanded markets and trade. It contributes to the resolution of global problems such as migration, population growth, food insecurity, and environmental degradation. Successful development cooperation builds the foundation for fruitful cooperation in other areas.

USAID embraces economic growth that is rapid, broad-based, sustainable, environmentally sound, and participatory. USAID promotes sustainable development by enhancing the capacity for growth and by working to remove the obstacles that stand in the way of individual opportunity. USAID is concentrating its efforts in three areas:

- **STRENGTHENING MARKETS:** Healthy market economies are essential. USAID supports efforts to address policy and regulatory impediments; strengthen institutional foundations; improve infrastructures; and undertake other interventions that enhance the contribution and role of markets.
- **EXPANDING ACCESS AND OPPORTUNITY:** USAID pays particular attention to expanding economic opportunities by promoting microenterprises and small businesses; by focusing on appropriate technology, including agricultural technologies appropriate to small farmers; by enhancing food security; and by increasing the access of women to employment, land, capital, and technology.
- **INVESTING IN PEOPLE:** Building human skills and capacities throughout a society is crucial. USAID supports efforts to invest in people through improvements in primary health and education and institutions that facilitate participation, especially by women, and other disadvantaged groups.

USAID's efforts in these three areas are characterized by three interrelated approaches:

- **PARTICIPATION:** USAID programs foster widespread participation, ensuring that efforts to promote economic growth enhance the prosperity of people throughout the productive sector, including microentrepreneurs, small business owners, and members of cooperatives.
- **INSTITUTIONAL DEVELOPMENT:** USAID seeks to strengthen public and private institutions in developing countries so that they can manage their own development process, consistent with the will of their citizens.
- **SUSTAINABILITY:** USAID programs encourage growth based on efficient and responsible use of domestic natural and human resources.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Sustainable Development and the U.S. National Interest

The PDDA is clearly in the best interest of the people of the United States. It addresses vital economic, security, environmental, social and political concerns. Pursuing a course of sustainable development is but a small investment in the long-term interests and prosperity of this nation. It offers a direct way of dealing with specific threats to our nation and to world stability -- which is the essence of preventive diplomacy.

- **Economics.** The concept of sustainable development embodied in the PDDA aggressively promotes U.S. economic interests. Between 1986 and 1991, U.S. exports to developing countries rose by 108 percent. By the year 2000, four out of five consumers will live in the developing world. Enlarging markets in developing countries and emerging democracies, promoting economic reform, encouraging growth and integration in the global economy all lead to the creation of dynamic markets for U.S. exports. During the 1985 to 1991 period, U.S. exports to USAID-assisted countries classified as policy reformers grew by a whopping 126 percent. As a December 19, 1993, New York Times article commented, "If two billion people get richer and smarter, will they buy more or less of our stuff? To ask the question is to answer it."
- **Security.** The PDDA responds to the reality that, increasingly, the roots of the principal security threats to this nation can be found in the political impact of issues such as rapid population growth, mass migrations, wide spread environmental degradation, lasting civil conflicts, narcotics trafficking, and nuclear proliferation. Every family in the United States spent thousands of dollars fighting the Cold War. The small sum each family spends annually on development assistance is a sound investment in our future prosperity.
- **Diplomacy.** The PDDA serves to advance many of the values most important to the people of the United States. It helps the U.S. to provide people of other nations the tools they need to establish democracies and allow formerly disenfranchised groups -- women, ethnic minorities, rural populations - to gain access to economic and political decision-making. The PDDA upholds the longstanding U.S. tradition of humanitarian assistance -- to children who face starvation, to victims of flood and fire, and to all those who could make the world a better place with just a little help. USAID is working to promote U.S. ideals and advance our foreign policy objectives by reaching out to those nations and peoples who share a commitment to these values and are willing to tackle the challenges of development.

We must not turn our back on the international community where our leadership is so important. To avoid the challenges of sustainable development is to risk incurring tremendous long-term costs to this nation.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Title II: Democracy & USAID

An emphasis on increasing the number of democratic governments worldwide is reflected in Title II (Building Democracy) of the PDDA. This title allows the U.S. government to respond effectively to situations where U.S. assistance is important for both geopolitical and moral reasons.

Title II authorizes the expenditure of funds for building democracy in the following category of countries:

- those undergoing dramatic political transitions, as in Eastern Europe and the former Soviet Union;
- those that have graduated from requiring support under the sustainable development title, but where democratic institutions are under attack, such as Colombia or Venezuela; and
- those that are not currently democratic, but where U.S. support can assist human rights and civic organizations, the efforts of democratic activists and the dissemination of non-state controlled information.

Title II is directed toward support for the strengthening of democratic institutions, including freely elected national and local executive and legislative leaders, an independent judiciary and elements of civil society, such as the media, professional associations and labor unions. As part of the effort to strengthen respect for the rule of law and human rights, the title explicitly authorizes U.S. support for military and law enforcement forces. This provision, however, is restricted to purposes of orienting militaries and law enforcement agencies to their respective roles in a democratic society, including respect for human rights, civilian authority, accountability of law enforcement agencies to civil justice institutions and to promote demilitarization.

Title II recognizes the inextricable link between political and economic development. Programs specifically designed to promote economic stability in the context of a direct threat to democratic institutions, therefore, are also authorized by this title.

The transitions under way in Eastern Europe and the former Soviet Union are so dramatic and so critical for world peace and security that they merit specific attention in this title. However, to ensure continuity in U.S. assistance programs to these regions, the title incorporates verbatim the language of the SEED and FREEDOM Support Acts.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Democracy Objectives Throughout the PDDA

The emphasis on democracy is reflected in several provisions of the PDDA. The Act authorizes proactive assistance programs. It includes provisions from previous legislation that prohibit assistance to governments that engage in a consistent pattern of gross violations of internationally recognized human rights or in situations where a democratically elected government has been removed from power by coup or other unconstitutional means.

Title I (Sustainable Development) recognizes the critical role that democratic and transparent political institutions play in ensuring sustainable development.

Title II (Building Democracy) authorizes democracy activities in countries that are not eligible for sustainable development support, either because they are at too an advanced stage of economic development or because the government's overall performance record, on both political and economic matters, makes them an inappropriate development partner for USAID.

Title IV (Providing Humanitarian Assistance) authorizes political institution-building activities in countries emerging from a protracted conflict or humanitarian crisis.

Coordination: The PDDA will assist the new interagency working group on democracy, which will be chaired by the Assistant Secretary of State for Democracy, Human Rights and Labor, in coordinating among different U.S. government agencies. The bill designates USAID as responsible for implementing democracy-building activities in sustainable development and humanitarian assistance programs. USAID also will play a role, at the direction of the interagency working group, in implementing and overseeing programs under Title II.

Agencies: The democracy-building activities of other U.S. government agencies, most particularly the U.S. Information Agency, are similarly delineated in the bill. The role of the National Endowment for Democracy (NED) also is clarified, albeit not explicitly, in the context of stressing USAID's primary emphasis on sustainable development. NED programs are particularly useful where USAID is not active and where it is difficult for the U.S. government directly to fund non-governmental activities.

NGOs: Finally, the PDDA recognizes the important contribution of NGOs in implementing development activities. This is particularly important in the democracy sector, where international NGOs have the advantage of flexibility and where the strengthening of domestic NGOs serves the direct goal of supporting democratic development.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

The PDDA and Areas of Special Concern

A central objective of the PDDA is to streamline legislation governing foreign assistance so that it better conforms to emerging international realities. Accordingly, Title I of the PDDA identifies an overarching objective for USAID, sustainable development, and relates it to supporting goals in environment, population, democracy, and economic growth.

As a result, many programs and issues which receive special attention as stand-alone concerns in current law are not treated as separate funding categories in the PDDA. Rather, programs such as women in development (WID) are built into a comprehensive approach to delivering development assistance and recognized as crosscutting themes in section 1102(c).

This approach addresses development problems through cross-sectoral, results-oriented assistance programs which are both more effective and more accountable.

The ability to implement this integrated approach to sustainable development is one of the fundamental improvements contained in the PDDA. For example, areas of special concern which will be addressed within the framework of the new legislation include:

Reducing population growth depends on the practice of voluntary family planning, which in many places is significantly furthered by improving female education, creating economic opportunity for women, and increasing the survival of existing children. A comprehensive population policy will include family planning, reproductive health and child survival services, nutrition and mutually reinforcing programs aimed at increasing the incentive and ability of people to use the services. This does not mean that education for girls will replace family planning services, but that both should be supported by USAID, sometimes in combination with other donors.

Education, particularly for girls, is an important factor in reducing population growth, improving child survival, preventing AIDS, and increasing economic growth and political participation. Support for education will be part of country programs where the low levels of education are clearly impediments to the achievement of sustainable economic and social development.

Prevention and control of the HIV epidemic depend not only on direct AIDS prevention information and education, but also in many countries on the personal and economic empowerment of women so that they are not forced to resort to prostitution for economic survival or to have unprotected sex with husbands who do not want to use condoms.

Economic growth depends not only on economic policies and markets, but also on healthy, educated and empowered people. At the same time, the poor may remain marginalized from possible economic opportunity unless they are able to obtain adequate education, nutrition and health care.

In order to achieve sustainable development, and to address the global problems of population growth, democracy, environment and economic growth, USAID must have the flexibility to program budget resources in accordance with the unique constellation of conditions in each country.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Microenterprise & Other Credit Programs

Access to credit has proven to be a cost-effective tool in fostering sustainable development when borrowers can become credit worthy and where the costs of such credit assistance can be reasonably estimated. Section 1104 authorizes microenterprise and other credit programs.

PDDA provides flexible authorities to establish programs which can adapt to changing needs. USAID believes more restrictive policy guidance would be contrary to the overall reforms the Administration seeks in this new charter legislation.

USAID's **Microenterprise Initiative** demonstrates this Administration's clear commitment to microenterprise development. Administrator Atwood has approved a set of concrete actions:

- USAID plans to forge with our partners a **Microenterprise Charter**. It will make a clear, strong policy statement and a bold commitment to helping poor people gain access to financial and institutional resources. It will commit to increased vigilance in reviewing country strategies to assure such programs become a high Agency priority.
- Future USAID reporting on microenterprises will clearly disaggregate sources of funding and describe how it will strengthen future activities.
- In addition to bilateral USAID microenterprise activities, USAID Washington will:
 - Establish an **Innovation Facility** which:
 - provides matching grants for PVOs;
 - offers Guarantees for Micro and Small Enterprises;
 - supports and disseminates learning about experimental activities;
 - leverages multilateral development bank resources;
 - funds start-up activities to encourage field missions to undertake innovative but risky microenterprise programs.
 - Assure quality **technical support** for field missions.
 - Improve **monitoring for performance and impact** on people, economic growth, the creation of jobs, and the sustainability of these efforts.
 - Strengthen its management capacity to oversee and coordinate these efforts and enhance coordination with private voluntary organizations, the Peace Corps and other partners.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Private Voluntary Organizations (PVOs) and Nongovernmental Organizations (NGOs)

In the past, many PVOs believed that USAID programs were too often designed and carried out in isolation from each other and from other local development efforts. Many programs have not been sustainable over time, PVOs pointed out, because they have been designed without adequate attention to popular participation and grassroots support, environmental factors, or village-level governance issues.

The PDDA seeks to meet these concerns head-on. The provisions of the Act address these concerns boldly in the following ways:

- The overarching objective of sustainable development provides for the interrelatedness of distinct development objectives, such as protecting human health and encouraging economic growth.
- The PDDA sets forth the principle that "Sustainable development depends for its success on the empowerment of people to make political and economic decisions," and requires that "the local-level perspectives of all participants, especially the rural and urban poor and women" be incorporated "in the identification, design, implementation, and evaluation of projects, programs, and development policies, as well as in the design of country assistance strategies and overall strategic objectives."
- The Act encourages USAID to "establish a formal, effective, and continuing partnership relationship with private voluntary organizations, cooperatives, and credit unions which have experience in working in developing countries."
- The Act includes authorities to use funds to strengthen PVOs to carry out development programs, provides relief from current restrictions by authorizing NGOs to earn interest on USAID funds and use the interest for project purposes, permits assistance through NGOs to countries ineligible for bilateral assistance, and allows funds to be used for development education.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Higher Education Institutions

The broad participation of the universities and other U.S. non-governmental organizations and people will significantly enhance the U.S. foreign assistance effort.

USAID embraces the continuing participation of U.S. colleges and universities in both the economic development programs and in the building of indigenous education systems which can make vital contributions to the achievement of growth and democracy in these countries. This participation will also further the internationalization of the U.S. higher education system, already the strongest in the world, by providing greater opportunities for their faculty and by expanding programs available to their students.

U.S. colleges and universities offer a valuable partnership that will help USAID achieve the sustainable development goals of the Act. This relationship should be a formal, effective and ongoing collaboration, and individuals whose expertise and experience in the needs of developing countries should be regularly consulted for this purpose.

The PDDA provides that:

- Strengthening grants may be made available to research and educational institutions to improve their capacity to develop and carry out economic and social development programs abroad.
- A special, procurement method may be established to limit competition to a selection of institutions of higher education when a project would benefit substantially from the resources and special capabilities of such institutions.
- USAID-financed participants at U.S. colleges and universities do not necessarily have to have their training interrupted if assistance to the government of their country is restricted by provisions of the Act.

Altogether, these provisions of the PDDA simplify and strengthen the long-standing and highly productive relationship between the U.S. higher education system and USAID. The overall framework of the relationship is firmly established in principle, while the operational details are left flexible so that they can be changed in response to new conditions. Thus, the advisory boards and the specialized offices within USAID that have been the institutional mainstays of the university-USAID relationship will now be more effectively structured to meet the challenge of post-Cold War development around the globe through integrated sustainable development programs.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

The PDDA & the Crisis Transition Initiative (CTI) [section 4202(d)]

Two phenomena have marked the post-Cold War world. One is the increase in complex crises, which involve humanitarian disasters coupled with a breakdown in political order and widespread conflict within countries. The other is the rapid transition from authoritarian political systems to democratic ones in Africa, Eastern Europe and elsewhere.

The United States and the world community are well-positioned to respond to humanitarian crises with food and other types of relief. We do not, on the other hand, have the tools necessary to help reestablish political institutions where they have collapsed or to help countries make their often rapid and chaotic transitions to democracy more smoothly and effectively.

CTI will have the capacity to undertake on short notice, where appropriate, the following functions:

- to evaluate prospects for potential crises and transitions, with special focus on political change;
- to send teams to assess transition needs;
- to start up programs through NGOs and other organizations capable of:
 - advising on and possibly assisting with demobilization and reintegration of dislocated populations;
 - helping build political institutions, including establishing law and order, developing fundamental legal institutions, supporting the processes of political reconciliation, and providing short-term support to strengthen non-governmental organizations;
- to coordinate and collaborate with other organizations active in these areas, both within the U.S. government and internationally and to provide advice to field staff on services available from USAID Washington and other institutions; and
- to develop plans and mobilize support for reconstruction activities.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Trade and Aid

The United States' economic prosperity is inextricably linked to worldwide economic growth and our ability to compete in the global marketplace. In the 1990s most of the growth in demand for U.S. exports is expected to come from countries in the developing world and those in transition to market-oriented economies. Developing nations, with expanding populations and increasingly freer trade policies, represent the fastest growing market for U.S. exports. Between 1986 and 1991 U.S. exports to developing nations rose by 108 percent.

Sustainable economic growth in these economies is crucial to any strategy for promoting U.S. exports. Developing countries account for over a third of all exports and these numbers are likely to rise as a result of the impressive array of economic and social policy reforms planned or under way.

Title I of the PDDA authorizes USAID's sustainable development program. Sustainable development is the U.S. government's primary policy tool for generating economic growth and market-oriented policies in the developing countries -- for promoting trade from the demand side. USAID's programs help build the economic environment and institutional infrastructure necessary for sustainable economic growth and stimulate the demand for U.S. goods and services.

Title V of the PDDA (Promoting Growth through Trade and Investment) provides authorities for programs run by the Export-Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency, which focus on the supply side by providing direct support for specific business transactions through loans and guaranties, insurance, and feasibility studies.

As a whole, the PDDA takes advantage of the relationship between the growth-oriented development program and the market-share-enhancing trade finance programs. USAID's programs help countries move up the economic ladder. This opens up opportunities for potential exporters. Then TDA, OPIC, EXIM and Commerce can more effectively direct the programs to ensure that U.S. exporters can compete effectively.

USAID's bilateral assistance program focuses on removing critical institutional and physical infrastructure barriers that constrain economic growth. These programs include:

- Microenterprise and other credit programs;
- Privatizing state-owned enterprise;
- Establishing the rule of law;
- Promoting the growth of the economy and its import capacity;
- Promoting investments in environmental technologies;
- Promoting investments in physical and urban infrastructure; and
- Establishing the framework for capital markets, banking systems, and a vibrant private sector.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

The PDDA Compared to Current Law

In its report to the House Foreign Affairs Committee, the Hamilton-Gilman task force identified numerous problems with current law:

- obsolete provisions;
- ambiguous provisions;
- too many reporting requirements, restrictions, and earmarks; and,
- too many objectives.

The most often-cited portion of the task force report states that, for USAID programs, there are 33 objectives in the current law, and 75 priorities: "Most, if not all, of these objectives are probably worthy, but they are so numerous that they cannot provide meaningful direction or be effectively implemented."

Submission of the PDDA is a recognition that the current law, based as it is on combatting international communism, no longer provides a valid policy framework for our foreign assistance programs.

The PDDA provides that framework in the form of five interrelated objectives: sustainable development, building democracy, promoting peace, providing humanitarian assistance, and promoting growth through trade and investment. The bill explicitly recognizes that the moral, economic, and security interests of the people of the United States are best served by a community of nations that respects individual human rights and democracy, resolves conflicts peacefully, engages in free and open trade, uses the world's limited natural resources in a sustainable manner, and fundamental human needs.

The PDDA is, in effect, an exercise in preventive diplomacy -- to provide the tools so that the problems of today do not become the crises of tomorrow.

Specifically, the bill addresses the concerns raised in the Hamilton-Gilman report by--

- reducing the number of priority areas for sustainable development programs by focusing on four primary objectives: encouraging broad-based economic growth, protecting the global environment, supporting democratic participation, and stabilizing world population growth;
- repealing obsolete provisions of law;
- repealing unnecessary reporting requirements;
- eliminating earmarks;
- providing authorities that would enhance the administration of foreign assistance programs; and,
- addressing restrictions on assistance in a consistent and comprehensive way.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

The PDDA, Reinventing Government, the National Performance Review (NPR) & USAID

The introduction of foreign assistance reform legislation is the principal recommendation for streamlining USAID identified by Vice President Gore's National Performance Review (NPR). Indeed, the enactment of the PDDA is necessary in order to "reinvent" USAID and reinvigorate the international assistance program, delivering greater benefits at less cost.

Like the NPR, the PDDA focuses on: policy driven by mission rather than budgets and process; results rather than inputs; and decentralized decision making, thereby promoting local participation and empowerment. The PDDA is organized around broad foreign policy objectives designed to advance the prosperity and security of U.S. citizens: promoting sustainable development, building democracy, promoting peace, providing humanitarian assistance, promoting growth through trade and investment and advancing diplomacy.

PDDA provides a coherent mandate for U.S. development programs in the post cold war era -- a mandate which the NPR review stated was the essential first step in reforming and revitalizing USAID. It identifies four key sustainable development priorities: promoting broad-based economic growth; protecting the global environment; stabilizing world population growth; and supporting democratic participation.

Within this framework of the PDDA, USAID is now acting to implement the recommendations of the NPR. Consistent with the mandate of the NPR, the PDDA will support USAID's efforts to:

- **consolidate and close out overseas missions**, graduating countries that no longer need assistance and concentrating on those whose commitment to democracy and market economies makes them good development partners;
- **reengineer the management of projects and programs**, reducing the time it takes to design projects and increasing accountability for results;
- **overhaul the personnel system** to manage its workforce more efficiently and hold USAID staff accountable for achieving results;
- **rightsizing field and Washington staff** to eliminate redundancy and focus on appropriate priorities;
- **reduce micromanagement and excessive reporting** by simplifying procedures and abolishing old reporting systems that focus more on tracking inputs and creating new ones that monitor the achievement of results; and,
- **streamline its administrative process**, simplifying its procurement policies and establishing an innovation fund to strengthen financial and information management services.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

The PDDA: Reform & USAID

The PDDA is an essential element in the Clinton Administration's effort to reshape and revitalize the U.S. Agency for International Development. It will be impossible to reinvent USAID while demanding that it operate according to a tangled set of laws designed to address the challenges of yesterday.

Specifically, the reform bill will help focus and clarify USAID's role in several important ways:

- **FEWER GOALS:** Under current law, USAID pursues 33 separate goals and 75 priority areas. The PDDA contains a simple, clear statement of policy, focusing USAID on a limited number of core objectives which underpin a single overarching goal for the Agency: sustainable development.
- **FEWER ACCOUNTS:** Existing law contains numerous funding sources and earmarks. The PDDA requests funds for four overarching objectives reflecting broadly supported national priorities.
- **CLEARER PROGRAM RESPONSIBILITY:** The PDDA makes it clear that USAID will concentrate on a few principal objectives in pursuit of sustainable development. Responsibility for related programs, such as those specifically designed to support commercial transactions, will be transferred to the departments or agencies having primary responsibility for those functions.
- **REPEALS ESF:** The Economic Support Fund, designed to meet Cold War needs, will be replaced by assistance categories reflecting post-Cold War realities.
- **IMPROVED COORDINATION:** The PDDA mandates better coordination of all assistance programs under the foreign policy direction of the Secretary of State. This will facilitate better coordination of U.S. government programs as well as coordination with multilateral lending institutions, U.N. organizations and other bilateral donors.
- **FEWER RESTRICTIONS:** The PDDA will replace outdated restrictions related to Cold War objectives with categories which reflect current world realities.
- **STREAMLINED ADMINISTRATION:** The PDDA will simplify administrative, procurement and personnel authorities relating to USAID programs -- giving impetus to the Administration's National Performance Review recommendations.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Accountability, Flexibility & USAID

The PDDA represents a major departure from the old ways of managing our foreign assistance programs. It abandons the preoccupation with inputs and instead substitutes a new emphasis on results. It identifies broad foreign policy objectives, and within these areas elaborates principles that will govern the management of foreign aid.

The PDDA thus gives new meaning to the concept of accountability. It makes the executive branch accountable for its performance in reaching agreed-upon goals. The Act stipulates that assistance programs will establish open and transparent systems to monitor progress toward the achievement of goals.

The Act imposes on our partners in the developing world the obligation to demonstrate real commitment to achieving development goals. It imposes on USAID the obligation to be clear about strategic objectives and benchmarks of progress. If progress is not made, the Act directs that resources be shifted to more productive programs, sectors or countries.

At the same time, the PDDA gives those most directly responsible for achieving these objectives flexible tools to decide how they can most effectively reach these goals. This is essential if we are to hold our development program accountable for results. We cannot ask our aid program to be accountable for results if we do not also give our implementing officers the authority and ability to take risks, learn from failures, and use their best professional judgment in meeting the complex challenges of development.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

The PDDA & Special Authorities

In the PDDA the Administration has requested several special authorities, or "notwithstanding" provisions, which should be included in legislation designed to meet post-Cold War world challenges. It is possible to categorize most of these special authorities as follows:

AUTHORITIES NEED TO MEET EXIGENT CIRCUMSTANCES

For example, the PDDA retains the existing "notwithstanding" authorities for disaster assistance and refugee and migration assistance. Over the years, both of these programs have benefited from the ability provided by that language to meet humanitarian crises with speed and flexibility. The bill also includes an authority comparable to current law to meet unanticipated contingencies -- expanded to \$100 million from the current \$50 million. This authority has enabled USAID to provide assistance to emergency activities in various countries when circumstances warrant a rapid response.

AUTHORITIES FOR CERTAIN DEVELOPMENTAL PROGRAMS

Congress has for several years recognized that certain kinds of programs--either because of their humanitarian nature (e.g., child survival, assistance for victims of war) or because of their affect on U.S. interests (e.g., assistance to combat global warming, assistance to prevent the spread of AIDS) should not be made subject to the statutory limitations that would apply to other forms of aid. These authorities have been incorporated into the PDDA. Congress has also authorized development aid through non-governmental channels to people in countries whose governments are ineligible for assistance. Comparable authorities are included in the Act.

AUTHORITIES FOR SPECIAL PROGRAMS

The Congress, in both the FREEDOM Support Act and the SEED Act, recognized that the complexities and magnitude of those programs required special authorities. Those programs have not become less complex and, particularly with regard to the NIS, the magnitude of the program has increased significantly beyond the initial authorization of funds contained in the FREEDOM Support Act. Having these authorities has enhanced USAID's ability to provide assistance in a timely way. Similarly, for assistance to those other countries that are newly emerging democracies or which are emerging from civil strife, circumstances also warrant these special authorities.

GENERAL ADMINISTRATIVE

The PDDA contains certain special authorities carried over from current law which deal with program administration. Such authorities allow for the waiver, for example, of certain contracting rules should it be determined that to do so is in the national interest.

We share a common interest with the Congress to have the most effective foreign assistance program possible -- one that addresses the full range of our national interests. USAID views the consultative process, particularly as it pertains to the exercise of special authorities, as important to achieving these results and we fully intend to continue and enhance these collaborative efforts.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

Coordination of U.S. International Assistance Programs

By providing a framework which seeks authorization of appropriations for major objectives (sustainable development, promoting peace, etc.), the PDDA places a premium on the Administration's ability to coordinate the programs authorized by this bill, as well as to ensure that those programs are coordinated with other international programs not included in this legislation.

First and foremost, the PDDA restates the paramount role of the Secretary of State. Section 8102 states that the Secretary of State shall be responsible for the continuous supervision and general direction of assistance under the bill to the end that all such assistance is effectively integrated and that the foreign policy of the United States is best served.

This statement of the Secretary's responsibilities is comparable to that contained in current law. The Secretary will take the lead in the formulation of budget requests to develop an integrated budget proposal balancing the competing concerns of all programs within the Function 150 (International Affairs) account.

The Administration also recognizes that coordination goes beyond the formulation of budgets. In this regard, we will be examining the need for and structure of an interagency coordination mechanism that is more effective than the little-used Development Coordination Committee that is authorized under current law.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

USAID Responsibilities and Roles

The Peace, Development & Democracy Act (PDDA) contains five program titles:

- Sustainable Development;
- Building Democracy;
- Promoting Peace;
- Providing Humanitarian Assistance; and
- Promoting Growth through Trade and Investment.

The PDDA does not designate responsibilities for any agency to administer foreign assistance programs. Instead, the various departments and agencies within the Function 150 account will now focus on the achievement of broad U.S. foreign policy goals.

Acting under the foreign policy guidance, supervision and direction of the Secretary of State, the United States Agency for International Development (USAID) is established in the bill, for the first time in law, as an agency of the U.S. government.

An Executive Order implementing the provisions of the PDDA would follow enactment, under which USAID would take the principal role in designing and implementing sustainable development programs and in providing rapid humanitarian assistance in response to natural or manmade disasters.

Moreover, USAID will participate in implementation and policy development of economic programs under the Building Democracy and Promoting Peace titles of the bill.

THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994

The PDDA & Donor Coordination

The United States currently supplies only one out of every 20 dollars spent annually by the international donor community on official development assistance. To achieve sustainable development results the United States must devise consistent and mutually reinforcing programs with other donors. Better donor coordination means that the cost of dealing with global problems is equitably borne by all developed nations, including newly emerging donors.

USAID will achieve better coordination with other donors by working with them at the early stages of program planning. Field missions are learning to work with like-minded donors in analyzing development bottlenecks and devising country assistance strategies.

USAID's long history of development activities, extensive in-country presence and favorable reputation overseas mean that the United States can exercise leadership within the donor community which far outweighs our share of total financial contributions. USAID can exercise leadership to persuade other donors to join us in priority development initiatives and to discourage aid motivated solely by commercial interests which is unlikely to have a favorable development impact.

COORDINATION WITH OTHER BILATERAL DONORS

- **Deepening collaboration with Japan.** USAID is building on its strong ties with the rapidly growing Japanese aid program and is currently working with Japan's Ministry of Foreign Affairs on major new population and AIDS programs, environmental programs in Indonesia and Eastern Europe and a vaccine initiative in the NIS.
- **Strengthening ties with other major donors.** USAID is planning in-depth senior-level consultations with the Canadian, German and French aid agencies.
- **Revitalizing the Development Assistance Committee (DAC).** USAID is working with other donors to revitalize the DAC, making it more action-oriented and focused on results rather inputs.

COORDINATION WITH MULTILATERAL DEVELOPMENT BANKS (MDBs): USAID coordinates efforts with the MDBs in-country as well as in consultative group meetings. USAID officers serve on the negotiating teams on MDB replenishments, ensuring that MDB lending plans are complementary to those of USAID and consistent with each agency's comparative advantage. USAID is working to better harmonize project design and technical assistance capabilities with the MDBs' large health and population loan portfolios. USAID continues to monitor upcoming MDB projects for environmental soundness.

COORDINATION WITH U.N. AGENCIES: USAID is expanding its collaboration with U.N. agencies and seeking to make coordination more systematic by holding joint meetings of the senior staffs of USAID and UNDP both in the field and elsewhere by seconding a senior officer to the UNDP, and by stationing an officer in the U.S. Mission to the U.N.

The United States
Agency for International Development

STRATEGIES FOR SUSTAINABLE DEVELOPMENT

TABLE OF CONTENTS

USAID's Strategy for Sustainable Development: An Overview	1
Protecting the Environment	11
Building Democracy	21
Stabilizing World Population Growth and Protecting Human Health	31
Encouraging Broad-Based Economic Growth	39
Providing Humanitarian Assistance and Aiding Post-Crisis Transitions	47

FOREWORD

Rarely has history witnessed a time of such profound change in the lives of nations and peoples. A social, political, and economic metamorphosis is now under way throughout the world, and the United States has a unique opportunity to help shape the outcome. To help meet this challenge, the United States Agency for International Development has redefined its mission and charted a plan to achieve it.

The papers in this document present an integrated approach, define long-term objectives, specify their relevance to American interests, describe the ways in which those objectives will be pursued, and identify mechanisms to implement the plan and the standards to measure success. The United States and the people of the developing world have much at stake, and the challenges of development demand programs and methods that produce results.

Our work in the post-Cold War era will be guided by these papers. USAID is now drafting guidelines to implement each of the strategies in the field. We believe that the programs and projects that result will support development that is truly sustainable and will produce significant, measurable results.

These papers are the product of a great deal of work and wide consultations. We have conferred at length with Members of Congress and congressional staff, representatives of other U.S. Government agencies, members of the development community, and USAID's own development experts both here and abroad. This consultation process was another example of USAID's more open approach to its mission. I express my heartfelt thanks to all who participated.

As the Overview states: "Serious problems of development will yield to effective strategies." We remain convinced of the fundamental truth of this. We have entered an era fraught with difficulty and promise, and we hope these strategies will help the United States and the development community make the most of the opportunities before us.

J. Brian Atwood
Administrator
U.S. Agency for
International Development

January 1994

USAID'S STRATEGY FOR SUSTAINABLE DEVELOPMENT: AN OVERVIEW

The Challenge

The United States Agency for International Development was created in 1961 with two purposes in mind: to respond to the threat of communism and to help poorer nations develop and progress. Both were legitimate strategic roles for the Agency; both were grounded in the belief that it was possible to defend our national interests while promoting our national values.

In these capacities, USAID helped the United States achieve critical objectives. It advanced a foreign policy that embodied a commitment to justice and liberty, a desire to bring the benefits of democracy to people throughout the world, a willingness to be a helpful neighbor, a humanitarian response to people in need, and a determination to lead. Over three decades, USAID achieved considerable success fulfilling these strategic mandates.

With the end of the Cold War, the international community can view the challenge of development directly, free from the demands of superpower competition. The international community in general and the United States in particular now have an historic opportunity: to serve our long-term national interests by applying our ideals, our sense of decency, and our humanitarian impulse to the repair of the world.

It is not wishful thinking to believe that we can constructively address the pollution of the seas and the air, overburdened cities, rural poverty, economic migration, oppression of minorities and women, and ethnic and religious hostilities. On the contrary, the cost of not acting, of having to deal with the global impact of imploding societies and failed states, will be far greater than the cost of effective action. Investment in development is an investment in prevention.

Serious problems of development will yield to effective strategies: This is a lesson of the last 30 years. Many poor nations have experienced unparalleled economic growth during this time. Some have become predominantly middle-class societies; others are well along in similar transformations. In many nations, poverty has declined significantly. Foreign assistance has accomplished much: Vast resources and expertise have been invested to help poor countries develop, and millions of lives have been made better as a result.

Why then is the issue of development so urgent now? It is no exaggeration to suggest that the challenges we face constitute potential global threats to peace, stability, and the well-being of Americans and people throughout the world.

The threats come from a multitude of sources:

- The continuing poverty of a quarter of the world's people, leading to the hunger and malnutrition of millions and their desperate search for jobs and economic security.
- Population growth and rapid urbanization that outstrip the ability of nations to provide jobs, education, and other services to millions of new citizens.
- The widespread inability to read, write, and acquire the technical skills necessary to participate in modern society.
- New diseases and endemic ailments that overwhelm the health facilities of developing countries, disrupt societies, rob economies of their growth potential, and absorb scarce resources.
- Environmental damage, often arising from population pressures, that destroys land, sickens populations, blocks growth, and manifests itself on a regional and global scale.
- And finally, the threat comes from the absence of democracy, from anarchy, from the persistence of autocracy and oppression, from human rights abuses, and from the failure of new and fragile democracies to take hold and endure.

Americans cannot insulate themselves from these conditions. Pollution elsewhere poisons our atmosphere and our coastal waters and threatens the health of our people. Unsustainable population growth and spreading poverty can lead to mass migrations and social dislocations, feeding terrorism, crime, and conflict as desperate people with little to lose attempt to take what they want by force.

These threats pose a strategic challenge to the United States. If we do not address them now, we shall have to pay dearly to deal with them later.

To respond in a meaningful way, the United States must articulate a strategy for sustainable development. It must forge a partnership with the nations and the people it assists. It must focus on countries where its help is most needed and where it can make the most difference. It must make the most of limited financial resources

and employ methods that promise the greatest impact. And the United States must bring all its resources to bear -- not only its money, but its expertise, its values, its technology, and most of all, the involvement of ordinary Americans.

Effectively delivered, development assistance provides a powerful means to address, ameliorate, and even eliminate the problems of rapid population growth, environmental degradation, endemic poverty, debilitating hunger, mass migration, and anarchy. We cannot "develop" nations, but we can help them unleash their productive potential and deal effectively with the challenges of development. As President Clinton has affirmed, foreign assistance is a central component of effective foreign policy. Development cooperation is not just a tactic, but an integral part of our vision of how a community of nations, some rich and some poor, should function.

Because development assistance is designed to help other nations deal with the problems of national life peacefully and productively, our work is both altruistic and self-interested. Successful development creates new markets for our exports and promotes economic growth in the United States. America's poor increasingly benefit from development methods pioneered abroad, such as microenterprise and childhood nutrition interventions. Moreover, foreign assistance facilitates international cooperation on issues of global concern.

USAID lacks the resources to implement all the programs outlined in these papers, and budgetary pressures are forcing our nation to make hard choices among worthy investments. Yet we believe that those choices cannot be made unless the full extent of the threat is understood. These papers are both battle plans and advocacy documents. They articulate a strategic vision that will guide our work. They also are designed to focus attention within the Executive Branch, in Congress, among the American people, and within the donor community on the crucial role that promoting sustainable development must play in our foreign policy.

The current situation demands nothing less. It is unrealistic to expect that international conflict, oppression, and disorder can be eradicated. But it is not unrealistic to try to address those problems by providing nations, communities, and individuals with opportunities for development. The ultimate dividend should be nothing less than a more peaceful, more prosperous world.

Operational Approaches

USAID recognizes that its success will be determined by the way it approaches its development mission and the way it responds to urgent humanitarian needs. To meet the challenges of the post-Cold War world, USAID will employ certain operational methods in all its endeavors: support for sustainable and participatory development; an emphasis on partnerships; and the use of integrated approaches to promoting development.

Sustainable development is characterized by economic and social growth that does not exhaust the resources of a host country; that respects and safeguards the economic, cultural, and natural environment; that creates many incomes and chains of enterprises; that is nurtured by an enabling policy environment; and that builds indigenous institutions that involve and empower the citizenry. Development is "sustainable" when it permanently enhances the capacity of a society to improve its quality of life. Sustainable development enlarges the range of freedom and opportunity, not only day to day but generation to generation.

When sustainable development is the goal, the focus moves from projects to the web of human relations changed by those projects. Sustainable development requires investments in human capital -- in the education, health, food security, and well-being of the population. Sustainable development sparks changes within society, from the distribution of power to the dissemination of technology. It continually challenges the status quo.

Sustainable development mandates **participation**. It must be based on the aspirations and experience of ordinary people, their notion of what problems should be addressed, and their consultations with government, development agencies, and among themselves. It must involve, respond to, and be accountable to the people who will live with the results of the development effort. It must help them build institutions of free discourse and inclusive decision-making.

Thus, the fundamental thrust of USAID's programs, whether in democracy building, environment, economic growth, or population and health, will aim at building indigenous capacity, enhancing participation, and encouraging accountability, transparency, decentralization, and the empowerment of communities and individuals. Our projects will involve and strengthen the elements of a self-sustaining, civic society: indigenous non-governmental organizations (NGOs), including private voluntary organizations (PVOs), productive associations, educational institutions, community groups, and local political institutions. This approach will make empowerment an integral part of the development process, and not just an end result.

Partnerships begin with collaboration between donors and host nations.

Donors must recognize that development, in every sense, depends on the developing country itself. Donors assist. They can help, facilitate, even accelerate, but the major task must be carried out by the host nation, not the donor. Sustainable development is built upon a sense of ownership and participation. It is not something that donors do for developing countries; it is something that donors help the people of developing countries do for themselves.

The notion of partnership imposes certain responsibilities on host governments. In determining where it will invest its resources, USAID will consider whether the host government permits development agencies and NGOs full access to the people; whether it invests its own resources in development; whether it encourages development through an enabling environment that comprises sound policies and responsive institutions; and whether it fosters local empowerment, particularly of women and members of minorities, as part of the development process.

An increasing portion of development work is being carried out by NGOs, including U.S.-based PVOs, indigenous NGOs, institutions of higher learning, and professional and academic groups. These organizations possess unique skills and contacts; they are USAID's natural partners in development and their work is reinforced by the private sector. Improved coordination with these agencies will permit USAID to do the things it does best and concentrate the skills of its employees where they are most needed.

USAID recognizes that the effectiveness of these organizations depends in large measure on their institutional autonomy. USAID cannot and should not micromanage these organizations. However, to ensure that programs achieve their objectives, USAID will insist upon a critical evaluation of project design, implementation capabilities, and past field performance. It will maintain oversight and communicate regularly once projects have commenced.

Donors must reinforce each other and coordinate at every stage of the development process. USAID can improve its own effectiveness by cooperating with other donors in a multitude of ways, including: joint assessment of development problems and the threats they represent; cooperative planning and division of responsibility; allocation of resources to reinforce other development efforts; pooling of financial resources where possible and appropriate; sharing of technical resources and expertise; rapid transfer of information about methods and results; and collaboration and communication in the field and collectively with host governments.

Partnership also includes leveraging. In its narrowest sense, leveraging involves the pursuit of matching funds. Much of our leveraging work will continue to be done in coordination with multilateral development banks (MDBs). USAID also will encourage other donors to contribute to worthy projects and to become involved in areas that deserve support but where we lack funds to operate. The Agency will also encourage the active participation of private enterprise. A strategy for development should seek to increase the number and kind of participants in the development process, and efforts to this end are a legitimate part of USAID's mission.

Finally, USAID will use **integrated approaches and methods**.

Integration begins with policy. USAID conducts its programs under the direction and guidance of the Secretary of State and attaches the highest priority to coordinating its work with the needs and objectives of the Department of State and the U.S. Ambassador and the country team, wherever its missions operate.

The fundamental building block of USAID's programs will be integrated country strategies. These strategies will take into account the totality of development problems confronting the society. They will be developed in close cooperation with host governments, local communities, and other donors and will consider how social, economic, political, and cultural factors combine to impede development. They will seek to identify root causes and the remedies that can address them. We intend to minimize so-called "stovepipe" projects and programs that operate without regard for other development efforts or larger objectives.

USAID will pay special attention to the role of women. In much of the world, women and girls are disproportionately poor, ill, and exploited. Of necessity, the development process must focus on their social, political, and economic empowerment. We will integrate the needs and participation of women into development programs and into the societal changes those programs are designed to achieve. Women represent an enormous source of untapped talent, especially in developing nations. The success of women -- as workers, food producers, health providers and teachers of their children, as managers of natural resources, and as participants in a democratic society -- is essential to successful development. A development process that fails to involve half of society is inherently unsustainable.

Development assistance must address the specific needs of women in developing nations: health, housing, education, equal access to productive resources and employment, participation in society, and empowerment. In their design and implementation, programs must take gender issues into account and pay particular attention to the needs of women in poverty. The ultimate success of our work will be

determined by the impact it has upon the lives of the women and men it is designed to assist.

Areas of Concentration

The United States must commit itself to act, must act in concert with other donors, must act where it can have maximum effect, and must draw on its strengths. These strengths determine where USAID will concentrate its resources.

USAID's programs will be undertaken in three types of countries:

- Countries where USAID will provide an integrated package of assistance -- these will be termed sustainable development countries. Assistance to these countries will be based on an integrated country strategy that includes clearly defined program objectives and performance targets.
- Countries that have recently experienced a national crisis, a significant political transition, or a natural disaster, where timely assistance is needed to reinforce institutions and national order. These are classified as transitional countries.
- Countries where USAID's presence is limited, but where aid to non-governmental sectors may facilitate the emergence of a civic society, help alleviate repression, meet basic humanitarian needs, enhance food security, or influence a problem with regional or global implications. In such countries, USAID may operate from a central or regional base, may focus on policy and institutional changes in the public sector, or may support the work of U.S. or indigenous NGOs or institutions of higher education.

Within these nations, USAID will support programs in four areas that are fundamental to sustainable development: Population and Health, Broad-based Economic Growth, Environment, and Democracy. Progress in any of these areas is beneficial to the others. This is especially true with rapid and unsustainable population growth, which consumes economic gains, deepens environmental destruction, and spreads poverty.

Problems of the environment, population, health, economic growth, and democracy also have a transnational impact. They require approaches that consider the global impact and that are not confined to individual states. Investments in these areas thus must be seen as primary prevention of the crises, deep-seated poverty, and despair that fuel civil unrest and international turmoil.

The United States in general and USAID in particular have extensive skills in each of these key areas. Moreover, USAID's partners in development -- American PVOs, universities, and training organizations, and the American private sector -- are particularly experienced in these areas.

Finally, solutions to these problems will help create self-sustaining, civic societies. Such solutions are characterized by local empowerment, the involvement of the recipients of aid in their own development, decentralization of decision-making, and the establishment of institutions of consensus-building and conflict resolution. They mandate the creation and involvement of indigenous NGOs -- intermediary organizations that enhance popular participation, that deepen the benefits to society, and whose very existence can promote peaceful change. Such solutions are the essence of sustainable development.

USAID will continue to carry out its other traditional mandate: providing emergency humanitarian assistance and disaster relief with dollars, technical expertise, and food assistance. Emergency humanitarian assistance and disaster aid are integral to the process of promoting sustainable development. Emergency humanitarian assistance relieves suffering and stabilizes nations that have experienced natural disaster or famine. Typical humanitarian crises such as famine, civil conflict, and the inability to respond to natural disaster increasingly owe directly to failures of development. Emergency humanitarian assistance is a necessary, stop-gap response that helps nations recover to the point where they can address the larger issues of development.

As part of its humanitarian assistance and disaster relief function, USAID will acquire the capability to respond rapidly to the needs of countries in crisis. This is particularly critical to USAID's long-term development mission. A gap in development assistance currently exists: Emergency relief helps nations that have suffered acute crisis or natural disaster; programs of sustainable development address the long-term needs of developing societies. But nations that are trying to emerge from crisis or make a transition from authoritarianism to democracy often have urgent, short-term political requirements that are not addressed by either traditional relief programs or programs of sustainable development.

USAID can help mitigate these problems in two ways:

First, by helping countries reestablish a degree of food self-reliance through the distribution of such things as tools, seeds, and other agricultural supplies essential to begin planting and to reinvigorate the agricultural sector.

Second, by helping to reinforce and rebuild institutions. The transition from disaster or civil conflict is itself a crisis. From the political point of view, it is best to address such crises early, before famine and social disorder perpetuate and the momentum of civil conflict becomes irresistible, and before the cost of reconstruction grows geometrically. From the developmental point of view, it is best to arrest conflict and buttress institutions before the social structure collapses and takes with it the coherent pieces of an economy and a civic society that could grow and modernize.

Measuring Results

The success of foreign assistance is determined by its impact upon developing nations. Inputs are meaningless without reference to effects.

With this in mind, USAID will measure its results by asking how projects and programs achieve discrete, agreed objectives. This is a demanding approach that forces everyone involved in the foreign assistance process to focus on how projects actually affect the way people live and to distinguish self-sustaining accomplishments from ephemeral ones.

This approach also forces people within USAID to work as a team in designing, implementing, and evaluating projects and programs. It obligates them to cooperate with contractors and grantees; with NGOs, universities, and colleges; with the private sector; with other donors; with multilateral institutions; with host governments; with local authorities; and most important of all, with the citizens of developing countries, the intended beneficiaries of these programs.

While no program can touch every aspect of life within a society, individual programs in each of USAID's areas of concentration need to be structured and implemented to produce affirmative answers to these kinds of questions:

Is the program consistent with the interests and values of the American people?

Does the program or project produce measurable, positive effects? Does it lower population growth rates, create jobs and incomes, augment food security, enhance public health, improve air and water purity, slow the loss of soil and soil fertility, arrest the loss of biodiversity, create indigenous democratic institutions?

Does it address the actual needs of the local people as they themselves define them? Does it consult local people to identify related problems and opportunities?

Does the program build indigenous capacities and permanently enhance the capacity of the society to improve the quality of life?

Does the program involve and empower the people who are supposed to benefit from it? Do they participate in planning, allocation of resources, selection of methods, management, oversight, and assessment of accomplishments? Does the program help create the institutions of a civic society? By its design and operation, does the program help establish and strengthen indigenous NGOs?

Does the program avoid duplication and incorporate lessons learned by the development community? Are the specific ways in which the program affects global and transnational problems shared locally, nationally, and regionally?

Does the program create economic opportunities for different groups in society? Does it generate economic opportunities for American business? Are USAID mechanisms used to identify and disseminate these opportunities to the agencies, companies, and individuals in the country, in the region, and in the United States who might benefit from them?

By applying standards such as these, USAID can ensure that its development programs help the United States respond to the strategic threat of failed development. These standards will shape USAID's approach to each of the areas of strategic concern, as is evident in the five accompanying papers. The value of these standards will be evident in the attitudes they affect within the Agency and the development community, in the development effort that ensues, and in the global improvement in the quality of life.

PROTECTING THE ENVIRONMENT: USAID'S STRATEGY

The Challenge

Environmental problems increasingly threaten the economic and political interests of the United States and the world at large. Both industrialized and developing nations contribute to the threat.

Human activities are disrupting the Earth's global life support systems -- the atmosphere and the planet's wealth of biological resources. Atmospheric concentrations of greenhouse gases continue to rise, with potentially catastrophic consequences for the global climate. The loss of untold numbers of plant and animal species and their habitats impoverishes the natural world for future generations and eliminates raw materials for advances in medicine, agriculture, and other fields.

At the local level, environmental degradation poses a growing threat to the physical health and economic and social well-being of people throughout the world. Explosive and poorly managed urbanization has contributed significantly to air, water, and soil pollution worldwide. The erosion and degradation of soils, loss of fertility, deforestation, and desertification beset rural communities and undermine food production, cause malnutrition, and impel migration. Water shortages cause conflicts among industrial, agricultural, and household users within countries and among nations.

The impact on developing nations can be measured in graphic human and economic terms. Widespread soil degradation is reducing the capacity of many countries, particularly in the tropics, to achieve food security. In Eastern Europe and the former Soviet Union, air-borne pollutants are the likely cause of high levels of morbidity and respiratory illnesses. Water pollution alone accounts for some 2 million preventable deaths and millions of illnesses each year. Environmental degradation can reduce national incomes by 5 percent or more.

America's own well-being is directly threatened by environmental degradation around the world. We cannot escape the effects of global climate change, biodiversity loss, and unsustainable resource depletion. The consequences of local environmental mismanagement -- increasing poverty, social instability, wars over resources -- endanger our political and economic interests. The quality of life for future generations of Americans will in no small measure be determined by the success or failure of our common stewardship of the planet's resources.

The scope of the problem is clear:

Environmental problems are caused by the way people use resources.

Workable solutions must focus on how humans and their economic interests interact with the natural environment and its resources. They must address how people perceive the environment and how they utilize it; how they judge the costs of using resources; and how political, industrial, and agricultural processes either damage or protect the environment.

Environmental damage often is driven by poverty and food insecurity.

These two factors deprive people of the possibility of making rational choices about how to use resources. They force individuals and communities to choose short-term exploitation over long-term management.

Environmental problems reflect the imperfections of private markets.

Adam Smith's "invisible hand" is not always a "green" hand. Government policies often distort markets and encourage excessive exploitation of natural resources. Public interventions to correct market failures and eliminate market distortions often are necessary to protect the environment. Effective public institutions that create and monitor an environment favorable to sustainable resource use are critical. This, in turn, requires active public participation in the setting of standards, monitoring, and enforcement. Market-based approaches should be pursued wherever possible and appropriate; since solutions ultimately must make economic sense, regulatory institutions, the policy environment, and incentives must help define what is economically rational and what is not.

Environmental problems have systemic effects. The impact of most environmental problems is ultimately regional or global, so the solutions must transcend borders. Interventions produce the best results when they simultaneously address the problem locally, nationally, regionally, and globally.

Environmental damage often is irreversible. Thus, the need for action is urgent. Early intervention is critical to preventing the extinction of a species or limiting the impact of pollution on public health. Debates over ways to save biodiversity after the tropical forest is gone or how to clean up a river after children have been hurt are moot. Worse, the failure to act makes it more difficult to respond effectively to future environmental problems.

At the 1992 United Nations Conference on Environment and Development (UNCED), both rich and poor nations agreed that economic growth and environmental stewardship must both be pursued to avoid a catastrophic overload of the Earth's

carrying capacity in the next century. Economic growth cannot be sustained if the natural resources that fuel that growth are irresponsibly depleted. Conversely, protection of the environment and careful stewardship of natural resources will not be possible where poverty is pervasive. This is the conundrum and the opportunity of sustainable development.

Strategic Goals and Areas of Concentration

USAID will pursue two strategic goals:

- Reducing long-term threats to the global environment, particularly loss of biodiversity and climate change.
- Promoting sustainable economic growth locally, nationally, and regionally by addressing environmental, economic, and developmental practices that impede development and are unsustainable.

USAID will concentrate on the following kinds of problems:

Globally, it will focus on the growing sources and diminishing sinks of greenhouse gas emissions and on impoverishment of the planet's biological diversity at the genetic, species, and ecosystem levels.

Locally, it will focus on the abiding impairment of human health due to air, water, and soil contamination from industrial, agricultural, and household activity; unsustainable exploitation of forests, wetlands, coastal zones, coral reefs, and other ecosystems that provide vital ecological services; degradation and depletion of water resources; unsustainable agricultural practices; inefficient and environmentally unsound energy production and use; inadequate management of household and municipal wastes in growing urban areas; regulatory, statutory, enforcement, and policy issues; and social and economic patterns, including the lack of local participation and empowerment, that contribute to the aforementioned problems or impede solutions.

Operational Approaches

USAID will pursue an integrated approach to environmental issues as outlined in Agenda 21 of the UNCED (Earth Summit) guidelines for ecologically sustainable development. The causes of environmental degradation often are the result of

underlying pressures of poverty and rapid population growth. Programs in every sphere of development -- environment, economic growth, population and health, democracy -- must be designed with conscious regard for their impact on the natural environment and their potential for improving environmental stewardship locally, nationally, regionally, and globally.

USAID will strengthen its institutional capacity to ensure that all Agency-supported efforts, whether projects or program-related investments, are environmentally sound. Where necessary, it will require mitigating measures or project redesign.

Solutions begin at the local level, even for environmental problems with global implications. Lack of education, antiquated and inappropriate technologies, the local regulatory environment, economic policy distortions, and the absence of economic and social incentives to protect the environment all contribute to the continuation of damaging practices. USAID's environmental assistance programs thus must empower individuals and communities to act; they also must facilitate collaboration among government agencies, the private sector, and local groups. Such empowerment efforts must specifically reach out to include women and members of minority groups. Experience has shown, for example, that improving education for girls may be one of the most effective, long-term environmental policies in Africa and other parts of the developing world.

USAID will promote the involvement of citizens in identifying problem areas, suggesting and designing solutions, overseeing implementation, and evaluating results. USAID will actively support environmental initiatives by local governments, communities, and non-governmental organizations (NGOs) to help articulate local concerns and involve individuals and communities in decisions that affect the local and global environments.

Close coordination and communication with the host government are essential to all development work; they are especially critical here. Environmental projects invariably involve diverse political actors, economic forces, and social groups. USAID will work to create and strengthen consultative, management, review, regulatory, and monitoring capacities at the regional, national, and local levels, in order to avoid misunderstandings and build consensus about plans and action.

To sustain the environmental impact of its work, USAID will encourage the development of an institutional and policy capacity within recipient countries. This improved capacity will help facilitate the flow of information, encourage consultations in-country, support economically efficient and environmentally sound policies, and

promote the development, transfer, and adoption of technologies that enhance environmentally sound growth. Since many environmental problems (and solutions) are regional in nature, USAID will encourage regional approaches, including ongoing coordination, establishment of priorities, allocation of responsibilities, exchange of techniques, and sharing of technical resources.

USAID will coordinate its efforts with other members of the donor community. It will pursue partnerships with the U.S. and international environmental community of universities, private voluntary organizations (PVOs), professional and academic groups, scientific organizations, and the private sector to identify priority areas and appropriate methods, share responsibilities and technical resources, reinforce the efforts of other donors, and avoid duplication. Agency field missions will work to strengthen local markets for U.S. environmental technology services and equipment through capacity building, local environmental management, training, and dissemination of information.

Programs and Methods

USAID will focus on programs that address these issues and use these methods:

Global Issues: In the area of **climate change**, USAID will identify key developing and former Soviet bloc countries that are, or will become, significant contributors to global greenhouse gas emissions. USAID will work with these countries on a case-by-case basis to develop appropriate action plans to reduce sources and enhance sinks of greenhouse gas emissions, through activities consistent with local environmental and economic goals. As appropriate, efforts in this area will include energy efficiency improvements; expanded use of renewable energy technologies; limiting deforestation, the burning of forests and agricultural lands, and other carbon-emitting land-use changes; and introduction of new agricultural practices to reduce methane emissions.

USAID's approach to **biodiversity** will focus on promoting innovative approaches to the conservation and sustainable use of the planet's biological diversity at the genetic, species, and ecosystem levels. "Biodiversity" refers to the variability among living organisms from all sources, including terrestrial, marine, and other aquatic ecosystems, and among the ecological complexes of which they are part. This includes diversity within species, between species, and among ecosystems. We are only beginning to fully understand the economic value and biological underpinnings of biodiverse areas.

Protecting biodiversity is a complex and multifaceted challenge. It involves promoting sustainable economic uses of biological resources, strengthening systems of parks and protected areas, and supporting ex-situ efforts such as herbaria, gene banks, and zoos. Geographically, USAID will maintain a special focus on two types of areas: those richest in biodiversity and facing the greatest threat; and those that are least disturbed and present the greatest opportunity for long-term conservation. USAID also will support conservation and sustainable use of biological resources where this is judged to be a priority for sustainable development at the country level.

Substantively, USAID will focus on developing sustainable economic uses of biological resources; building local capacity for the management of biodiverse areas, including management of parks and protected areas; supporting innovative, non-governmental conservation and research programs; encouraging the involvement of indigenous peoples and local communities at every stage of decision-making; and facilitating the setting of conservation priorities that respect the rights of indigenous peoples at the local, national, and regional levels.

Country Issues: USAID's approach to national environmental problems will differ on a country-by-country basis, depending on a particular country's environmental priorities -- as determined by the host government and local communities and citizens -- and USAID's overall country program. All country strategies will include assessments of these elements:

Improving agricultural, industrial, and natural resource management practices that play a central role in environmental degradation. As appropriate, USAID-supported programs will target objectives such as:

- Conservation of soil and water through improved tilling practices, erosion planning and control, integrated pest management, reductions in the use of pesticides and in fertilizer and pesticide runoff, efficient design and management of irrigation systems, and protection of aquifers and integrated water resource planning and management.
- Reduction of industrial- and energy-related environmental degradation through the adoption of pollution prevention strategies and pollution control systems in industry, and through energy efficiency programs, renewable energy applications, fuel switching, and installation of environmental controls in the energy sector.
- Amelioration of rural and urban natural resource management problems and land-use problems through efforts to limit deforestation and promote reforestation; support for conservation and environmentally sustainable uses of forests, coastal

zones, and other important ecosystems; and in urban areas, improved water resources management, land-use, sewage and waste disposal, and transportation planning.

Strengthening public policies and institutions to protect the environment. As appropriate, USAID will support such activities as:

- Reform of national economic policies, development strategies, and market mechanisms to end unintended or misguided environmental damage, promote conservation, and encourage sustainable resource management.
- Development of a comprehensive environmental policy framework, including laws, regulations, and standards at the national and local levels, as appropriate.
- Promotion of procedures for measuring, assessing, monitoring, and mitigating the environmental impact of economic growth.
- Improved enforcement of environmental laws and regulations through increased funding and technical training for regulatory agencies, enhanced public participation, and development of non-governmental advocacy groups.
- Creation or strengthening of competent environmental institutions within government, the private sector, the NGO community, and academia.
- Creation of environmental data bases and natural resource inventories.

Bilateral and multilateral interventions. USAID also will work bilaterally and multilaterally, pursuing dialogues with governments on environmental issues, such as environmental regulations, natural resource usage, and energy pricing policies; dialogues with international agencies, especially agencies of the United Nations and international financial institutions, on the environmental impact of lending practices in developing nations; and the design and implementation of innovative mechanisms to support environmental work, including the establishment of trust funds and endowments and the design and completion of debt swaps and debt forgiveness.

Environmental research and education. As resources permit, USAID will continue its support for applied research on key environmental issues; non-capital intensive elements of technology transfer, such as institutional cooperation, scientific exchanges, development of human resources, and policy development; and support for public education on issues affecting the environment.

Measuring Results

USAID will insist on measurable results from its programs. It is not enough to measure project inputs, funds spent, etc. The sole standard of success is the impact that programs have on host nations, their societies, and the lives of citizens. Detailed performance criteria for environmental activities will be developed in consultation with expert and interested outside parties. As appropriate, the following types of questions will be asked of environmental programs supported by USAID:

In the area of climate change: Are greenhouse gas emissions being reduced in countries that contribute most to the problem? Have these countries identified sources and sinks of emissions and implemented national action plans that address key sectors, e.g., energy, forestry, agriculture?

In the area of biodiversity: Have levels of biodiversity in key geographical areas been conserved? Have conservation plans and strategies been implemented for these areas, including provision for protection of parks and sensitive areas and support for sustainable economic activities for inhabitants of these areas and their buffer zones? Do these plans enjoy the support of local people, such that they can be maintained over time? Have national and regional biodiversity strategies that address underlying social and economic forces been implemented, including both in-situ and ex-situ approaches? Have economic policy distortions that encourage excessive exploitation of critical habitats been reformed?

In countries where the concern is environmentally harmful agricultural practices: Have agricultural activities in fragile lands been reduced? Has soil management improved, as demonstrated by better soil tilth and nutrient content and reduced soil erosion? Has the use of inappropriate pesticides been ended? Has pollution from chemical runoff been reduced? Have integrated pest management techniques been disseminated and adopted? Have government subsidies or other policies encouraging environmentally harmful agricultural practices been reformed? Has an indigenous research capacity committed to the development of environmentally sustainable agricultural technology been developed? Do local farmers, both male and female, benefit from this research and from permanent lines of communication with international agricultural experts and institutions?

In countries where the concern is environmentally harmful urbanization practices: Have urban land-use plans been developed in consultation with affected businesses and communities and implemented? Have local governments adopted, implemented, and enforced integrated solid and liquid waste management programs?

Are the levels of primary, secondary, and tertiary sewage treatment before discharge increasing?

In countries where the concern is environmentally harmful industrial and energy practices: Have ambient levels of air and water pollution been reduced in target airsheds and water bodies? Have pollution-related public health conditions, including the incidence of lead- and heavy metal-poisoning, improved? Have industries implemented pollution prevention and control strategies? Have government subsidies or other policies that encourage inefficient and environmentally harmful industrial practices or activities been reformed? Have policies for energy efficiency, renewable energy, and fuel switching been implemented? Have energy production facilities adopted appropriate environmental controls?

In countries where the concern is environmentally harmful natural resources management and land-use practices: Have rates of deforestation been reduced? Have subsidies or other policies that encourage deforestation been reformed? Have conservation strategies been implemented for watersheds, critical ecosystems, and habitats for rare, threatened, or endangered species? Have national forestry policies been reformed to discourage unsustainable forestry practices? Have rates of destruction for other critical ecosystems, e.g., wetlands, coral reefs, and coastal zones, been reduced?

In poorer countries where the concern is strengthening environmental policies and institutions: Have culturally appropriate incentives to encourage the conservation of resources been established? Has a comprehensive environmental policy framework been adopted? Have regulatory agencies been established and are they functioning effectively? Have local NGOs been created or strengthened and do they participate at all levels of environmental planning and monitoring? Has the environmental research capacity of indigenous institutions been enhanced?

In advanced developing countries and economies in transition where the concern is strengthening environmental policies and institutions: Are national economic development strategies consistent with environmental goals? Has a comprehensive environmental policy framework been established that is appropriate to changing economic and social circumstances? Are regulatory institutions well funded, staffed, and trained? Do NGOs, including PVOs, academic research institutions, and community groups participate in all levels of environmental planning and monitoring?

BUILDING DEMOCRACY: USAID'S STRATEGY

The Challenge

People throughout the world have demonstrated by their own actions that freedom is a universal concept. Men and women have risked their lives for the proposition that freedom, human rights, and accountable government are not just the province of a few industrialized states. The influence of democratic ideas has never been greater.

Political openings during the past decade came as a result of concerted, often courageous, indigenous efforts to build democracy. Some autocrats conceded their failure at the ballot box; some simply resigned; some embraced reform. A number of nations pursued democracy as an alternative to civil war.

The democratic transitions of the last few years create the possibility of a more peaceful, more rational, and more productive world. At the same time, nascent democratic institutions and processes are strained by unrealistic expectations of immediate socioeconomic progress, and by the rekindling of old enmities, including religious, regional, and ethnic passions. Moreover, many new democracies need to expand and deepen the transition process beyond a periodic vote for national leadership. They need to institutionalize community participation at the local level and an accountable, transparent style of governance that can ensure citizens a modicum of control over their own lives.

The absence of democratic change is also a matter of concern. Autocracy survives in many parts of the world. Violations of human rights remain a major problem in many countries. Every day -- in fewer nations than a decade ago, but in too many nations nonetheless -- people are victimized and denied any meaningful participation in decisions that affect their lives. As illegitimate governments crumble, violence and corruption by those acting under state authority frequently ensue.

Faltering democracies and persistent oppression pose serious threats to the security of the United States and other nations. Narco-terrorism, ethnic warfare, uncontrolled migration, and religious intolerance threaten the very notion of a world community and international peace.

Because democratic regimes contribute to peace and security in the world and because democracy and respect for human rights coincide with fundamental American

values, the Clinton Administration has identified the promotion of democracy as a primary objective of U.S. foreign policy. Foreign assistance is a natural vehicle for achieving this goal.

In accordance with Administration policy and congressional mandate, USAID will decline to provide any form of assistance, except to meet humanitarian needs, to governments that engage in a consistent pattern of gross violations of internationally recognized human rights. Further, when allocating scarce development resources among countries, USAID will consider a government's human rights performance, including its willingness to permit the emergence and functioning of democratic institutions and independent political groups. At the same time, USAID will continue supporting human rights organizations and other groups that are struggling for political freedom in non-democratic societies.

Democratization is an essential part of sustainable development because it facilitates the protection of human rights, informed participation, and public sector accountability. USAID's success in the other core areas of sustainable development is inextricably related to democratization and good governance. Repression, exclusion of marginalized groups, human rights abuses, disregard for the rule of law, corruption, and autocracy are antithetical to development. Therefore, USAID has attached a high priority to strengthening of democratic institutions and popular participation in decision-making.

Democracy's freedoms permit the formation of a wide range of non-governmental organizations throughout society, including community associations, service providers, unions, advocacy groups, and religious institutions. These private organizations often stimulate innovation in production and social services, confront corruption, advocate respect for human rights, and promote and defend democratic processes and institutions.

Strategic Goals and Areas of Concentration

USAID's strategic objective is the transition to and consolidation of democratic regimes throughout the world -- as an end in itself and because it is a critical element in promoting sustainable development. This objective is achieved through the establishment of democratic institutions, free and open markets, an informed and educated populace, a vibrant civic society, and a relationship between state and society that encourages pluralism, inclusion, and peaceful conflict resolution. The promotion of democracy is a long-term process that will require sustained commitment and timely and politically adept interventions.

Local involvement is important in any kind of foreign assistance, but it is essential in democracy building. Local forces must provide the principal impetus for creating, nurturing, and sustaining an environment in which democracy can thrive. USAID's role is to stimulate and reinforce democratic elements at the city and community level.

USAID faces a twofold task: to help people make the transition to democracy from authoritarian rule and to facilitate the empowerment of individuals and communities in non-democratic societies, in order to create a climate conducive to sustainable development. USAID aims to accomplish this task not only through democracy-building programs, but also through economic and social development programs that mandate participation, transparency, and accountability.

USAID recognizes that there are many paths to democracy and many variations of governmental mechanisms based on historical, social, and cultural realities. However, all sustainable democracies share certain fundamental characteristics: respect for human and civil rights, peaceful competition for political power, free and fair elections, respect for the rule of law, accountable government, and an environment that encourages participation by all sectors of the population. USAID will emphasize these universal elements in implementing programs.

USAID's programs will focus on some of the following types of problems:

- Human rights abuses, arbitrary action by civilian governments and security forces, and impunity of government officials from the rule of law.
- Misperceptions about democracy and free-market capitalism.
- Lack of experience with democratic institutions.
- The absence or weakness of intermediary organizations, such as labor unions, business associations, media outlets, educational institutions, and civic groups.
- Nonexistent, ineffectual, or undemocratic political parties.
- Disenfranchisement of women, indigenous peoples, and minorities; ethnic divisions; and the reemergence of politics based on ethnic, national, and religious chauvinism.
- Absence of or failure to implement national charter documents -- a constitution, a bill of rights, citizenship laws -- that promote democratic practices.

- Powerless or poorly defined democratic institutions, including politicized or corrupt judiciaries that deny due process, overly centralized government institutions, and ineffective or unaccountable institutions of local government.
- Elected positions for which there is no meaningful competition.
- Tainted elections.
- The inability to resolve conflicts peacefully.

Operational Approaches

Democracy programs are often undertaken in a dynamic political environment. They can be subject to significant time pressures. They are intensely scrutinized locally and internationally -- especially when the United States is involved.

Given these realities, USAID must pay considerable attention to the political situation within a country and must work closely with other U.S. Government agencies, especially the Department of State, to devise and implement democracy programs. In particular, USAID field missions, in collaboration with U.S. Embassy personnel operating as part of a country team, must continue to monitor the political situation once programs are under way and must be prepared to respond to changing circumstances.

This is a particular challenge when decisions must be made about whether to withdraw from a country or suspend programs -- for example, in a situation where human rights abuses are steadily increasing. Difficult decisions to suspend programs may have to be made; the amount of money already invested should not preclude such decisions.

Timing can be critical. One-time events, such as a transition election or the formation of a constituent assembly, can jumpstart the democratization process, even where conditions in the country are not propitious. USAID will develop the capability to respond rapidly to these opportunities. This will enable the Agency to quickly provide start-up funds for democracy-building activities where events warrant. Such assistance will demonstrate a U.S. commitment to the democratization process and encourage other donors to act in a similar fashion.

The United Nations, the Organization of American States, the Conference on Security and Cooperation in Europe, and other intergovernmental organizations are

committed to assisting member states in responding to requests for assistance in the democratization process. USAID will coordinate with these organizations on planning and programming. Many of these organizations are enhancing their ability to support democracy building, and USAID will assist them in that endeavor.

The potential damage caused by conflicting signals emanating from the international community and the waste caused by duplication demand a high level of coordination among bilateral and multilateral donors through such mechanisms as the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) and in-country consultation. Coordination may include joint assessments of priorities, needs, and donor strengths; harmonizing of financial allocations; sharing of technical resources and expertise; rapid transfer of relevant information; consultation on program effectiveness; and ongoing reassessments of a dynamic political situation.

USAID recognizes the dilemma posed by providing direct democracy program assistance to regimes in which the commitment to democracy is weak or absent. To implement programs effectively in such an environment, USAID officials must reconcile host government sensitivities with the interests of democratic forces outside government, whose views must be solicited before assistance is provided. Moreover, in no circumstances will USAID provide assistance that legitimizes an entrenched, non-democratic regime or that supports a government where human rights abuses continue or are increasing.

USAID will develop programs in full consultation with local groups. Their active participation in the design and implementation of specific programs is vital to promoting a sustainable democratic polity.

In implementing programs, USAID will work closely with U.S.-based private voluntary organizations (PVOs), non-governmental organizations (NGOs), educational institutions, professional and academic associations, and private organizations that are committed to supporting democratic development abroad and that have experience working in this field. Their ties to indigenous counterparts and their international credibility make these organizations valuable partners in democracy building.

USAID will ensure that its programs build upon, but do not duplicate, the important work undertaken by the National Endowment for Democracy. The Endowment provides early funding to support activities that stimulate momentum for democratic change in pre-transitional and emerging transitional environments. Its independence from the U.S. Government provides for flexibility in programming and in establishing partnerships.

USAID will encourage contractors, grantees, and other development partners to take an international approach to democracy promotion and enlist parliamentarians, local officials, judges, election administrators, and men and women with technical skills from throughout the world in program activities. Internationalism conveys a fundamental lesson: Democracies support and assist each other. Experience has shown that nascent democrats are influenced by the insights and perspectives of people who have faced similar challenges, especially those from their own region.

USAID will concentrate on building local democratic capacities, rather than relying exclusively on the intermittent importation of outside experts. USAID programs should stress appropriate technologies that can be maintained locally without continuous international involvement.

USAID will conduct periodic, cross-regional reviews of democracy programs. These will help ensure that USAID, its contractors and grantees, other donors, and the international community share experiences and benefit from field experiences.

Finally, USAID recognizes that the lack of economic development impedes the consolidation of democratic institutions. Where governments commit themselves to democratization, USAID will endeavor to provide assistance to promote broad-based economic growth through direct USAID programs and will encourage other bilateral and multilateral donors to provide appropriate support.

Programs and Methods

The specific types of democracy programs undertaken or supported by USAID will depend upon the social, political, economic, and cultural realities of a country, including the initiatives taken by its citizens, and upon available resources. In sustainable development countries, and to a lesser extent, transition countries, democracy programs will form part of an integrated country plan, which will have both short-term and long-term objectives. In countries with limited USAID presence, democracy programs will focus on discrete objectives, e.g., supporting non-governmental organizations.

USAID's democracy programs will support:

Constitutional mechanisms, including technical and organizational assistance to constitutional conventions and constitution-makers.

Democratically elected legislatures, including programs to improve the material, technical, and decision-making capabilities of legislatures.

Legal systems, including independent judiciaries and civilian-controlled police, and alternative and informal mechanisms for resolving disputes.

Local government entities, particularly those that have recently acquired additional institutional authority and responsibilities.

Credible and effective elections, where voters have confidence in the process.

Local, national, regional, and international organizations that protect human rights, including the rights of workers, indigenous peoples, minorities, and women.

Trade unions, professional associations, women's groups, educational entities, and a wide range of indigenous NGOs, particularly those that are partners in development programs.

Political parties and other national mechanisms of political expression in a strictly nonpartisan manner and, consistent with statutory limitations, in a manner that does not influence the outcome of an election.

Independent media outlets and groups formed to promote and protect freedom of expression.

Improved civil-military relations, including effective civilian control of the military establishment.

Institutions and organizations that increase government responsiveness and accountability at the national, state, and local levels.

Educational efforts for children and adults that reflect community participation, promote the development of local NGOs, and encourage tolerance within society.

Finally, as a natural complement to longer-term democracy-building efforts, USAID, in consultation with other U.S. Government agencies and with adequate human rights safeguards, will support programs in transition situations for the establishment of democratic political institutions and for the demobilization and retraining of soldiers and insurgents.

Measuring Results

Democracy building is inherently a long-term, cumulative process. The fruits of a particular effort frequently are not discernable for a considerable period of time. Breakthroughs sometimes are followed by sudden reversals that are beyond the control of external actors. Moreover, democratic progress is a complex process, making it difficult to pinpoint precise cause-and-effect relationships. Democratic progress also is defined by changes in perceptions and attitudes that are difficult to measure.

Notwithstanding these hurdles, USAID will assess results, rather than just count inputs and outputs, in order to incorporate lessons learned from past work into future programs. USAID will review individual democracy programs to determine whether they have met their original specific objectives, whether they were carried out in an efficient and professional manner, and whether they had unanticipated positive or negative effects. Democracy programs concentrated on particular areas, e.g., rule of law or electoral assistance, will be reviewed on a cross-regional basis to identify effective program designs and mechanisms for overcoming specific political, social, and cultural obstacles. Finally, programs that address other development issues will be reviewed to assess their impact on democratization objectives, in order to facilitate the successful integration of our efforts.

USAID will consider discrete standards in evaluating the performance of democracy programs, including transformed attitudes and perceptions and changes in process and behavior. Detailed performance criteria will be developed in consultation with expert and interested outside parties. As appropriate, the following types of questions will be asked in the context of evaluating USAID's democracy programs:

Are basic laws relating to human rights being enforced? Has there been a significant reduction in the overall rate of human rights abuses in the country?

Is the electoral process honest, as judged by all parties or by experienced international observers? Are election laws the product of consensus? Are they fairly and universally enforced?

Do the institutions of a civic society take an increasingly active role in decision-making? Do they measurably influence policy outcomes? Do they involve broad sectors of society, including disenfranchised groups such as women, minorities, and indigenous peoples? Are mechanisms that mandate pluralism and protect minority opinions in place and functional?

Do institutions exist at both the national and local levels that are accountable, transparent, and accessible? Are institutions structured to provide individuals with access and recourse?

Is there evidence that the rule of law is increasingly respected and that disputes are resolved without violence? Are gender-inequitable laws being changed so that women share the same rights under the law as men? Do institutions and processes exist that provide democratic education?

USAID's emphasis on results should not discourage experimentation and innovation. International democracy is a laboratory in which individuals and nations are expected to both borrow ideas and apply new methods.

The political process, by definition, is never complete; even long-established democracies continuously reinvent themselves. However, democratization is ultimately an internally driven process. Sustainable democracy is a fact when indigenous forces within a society can maintain and strengthen democracy without external support. USAID's programs will aim at this outcome.

STABILIZING WORLD POPULATION GROWTH AND PROTECTING HUMAN HEALTH: USAID'S STRATEGY

The Challenge

Certain factors play a critical role in keeping nations poor: a lack of resources; limited educational opportunities; a dearth of skills; and economic, social, and political systems that impede broad-based growth. Rapid population growth and poor health are inextricably linked, and they make every one of these conditions worse.

Poor health conditions and rapid population growth are closely associated with low status and limited rights for women. Moreover, the lack of basic rights, high rates of unintended pregnancy, and lack of access to basic health and family planning services threaten the health of both women and children. Conversely, the expectation of infant and child mortality encourages people to have numerous children in order to ensure that a few survive. When access to information about nutrition and sanitation is poor and health care and family planning services are inadequate, the result is increased mortality that contributes to high rates of fertility.

Poor health conditions and rapid population growth obstruct rational planning by forcing the national discourse to focus on day-to-day survival. No other factors so limit the options and flexibility of developing nations. Rapid population growth renders inadequate any investment in schools, housing, food production capacity, and infrastructure. It challenges the ability of governments to provide even the most basic health and social services. When people are undernourished and disease-prone, they cannot contribute to their own development.

As expanding populations demand an ever greater number of jobs, a climate is created where workers, especially women and minorities, are oppressed. The educational and economic framework gradually collapses from supporting too many people with too few resources.

The problems of population and health in the developing world are being aggravated by the spread of HIV/AIDS. This health crisis threatens to overwhelm already limited health facilities and consume resources needed for long-term investments, both human and financial.

By their nature and consequences, population and health are global issues. Population pressure puts increasing stress on the Earth's already fragile environment.

The world's population will grow by almost 1 billion people over the next 10 years, despite the fact that fertility and growth rates have begun to drop in many countries due to efforts made over the past three decades. This translates into a net increase of more than 270,000 people every day -- 95 percent of them in the developing world.

Actions taken this decade -- especially the expansion of reproductive choice -- will determine when the world's population will stabilize. **What is done, or not done, in the next decade will determine the economic, social, and political prospects for much of the world for the next century.**

The high fertility rates associated with poverty and rapid population growth have implications for the individual and the family. Very early, multiple, closely spaced pregnancies drastically increase the health risks to women and their children, limit opportunities for women, and diminish the ability of families to invest in their children's education and health. Millions of unwanted births and the prevalence of abortion are evidence that many women lack adequate access to reproductive health services.

More than 500,000 women die each year because of preventable complications from pregnancy, abortion, and childbirth; over 35,000 children die each day, mostly from preventable causes, and mostly in the developing world. The HIV/AIDS epidemic continues to spread at the rate of approximately 5,000 new infections per day. These conditions impede sustainable development and are tragedies for individuals, families, communities, and nations.

Yet the population and health problems in the developing world can be addressed. With better access to family planning and health services, individuals can enhance their ability to affect and improve their own lives and the lives of their children. Moreover, by slowing the rate of population increase, societies can give themselves more time and better options.

Progress has been made. The delivery of child survival technologies, notably immunizations and oral rehydration therapy, has led to markedly lower child mortality. At the same time, fertility rates in most countries have been brought down by the increased use of contraception, decreased child mortality, expanded education (especially among females), and economic growth. USAID-supported population and health programs, conducted in close cooperation with concerned national governments, local and international private voluntary organizations (PVOs), other donors, and indigenous non-governmental organization (NGO) partners, have contributed significantly to this progress.

Strategic Goals and Areas of Concentration

USAID's population and health goals are mutually reinforcing. Specifically, USAID will contribute to a cooperative global effort to stabilize world population growth and support women's reproductive rights. Consistent with U.N. projections, this effort should result in a total world population between 8 billion and 9 billion by the year 2025, and less than 10 billion by the year 2050, with very low growth thereafter. Over this decade, USAID also will contribute to a global health goal of halving current maternal mortality rates, reducing child mortality rates by one-third, and decreasing the rate of new HIV infections by 15 percent.

To achieve this, USAID will concentrate its population and health programs on two types of countries:

Countries that contribute the most to global population and health problems. Such countries have the following characteristics: childbearing by large numbers of very young and older women; many closely spaced births; high numbers of infant, child, and maternal deaths; high female illiteracy; large numbers of women with an articulated but unmet need for family planning services; and large numbers of persons infected with HIV, or growing rates of HIV infection.

Countries where population and health conditions impede sustainable development. Relevant characteristics of these countries include fertility and population growth rates that outstrip the country's ability to provide adequate food and social services; growth rates that threaten the environment; significant reproductive health problems due to heavy reliance on unsafe abortions; health conditions that impede the ability of children to learn and the ability of adults to produce and participate; growing rates of HIV infection; and significant gender gaps in education.

Operational Approaches

At the program level, USAID's operational approach will be founded on these principles and objectives:

- Promoting the rights of couples and individuals to determine freely and responsibly the number and spacing of their children.
- Improving individual health, with special attention to the reproductive health needs of women and adolescents and the general health needs of infants and children.

- Reducing population growth rates to levels consistent with sustainable development.
- Making programs responsive and accountable to the end-user.

USAID will collaborate with other donors, host country governments, development agencies, universities and academic organizations, the private sector, PVOs, and NGOs. Where appropriate, USAID will pursue and practice joint planning and allocation of resources, sharing of methods, and pooling of technical resources. This will extend from the institutional level to the field.

Working closely with host country governments and local communities, USAID will construct country strategies that address the core elements of sustainable development. The population and health component of the country strategy will take into account the activities of other donors, development efforts in other sectors, and every element of USAID's population and health assistance in that country. These population and health strategy components will address how population growth problems can be solved in that country, how the country can acquire the independent ability to cope with its population and health problems, and how USAID's programs will help the country graduate from foreign assistance. These plans must take into account the quality and strength of the health infrastructure; the true access that citizens, especially women, have to health and family planning services; the situation regarding HIV/AIDS and sexually transmitted diseases; and the employment, education, and empowerment of women.

We will help the United States expand its leadership in the field of population and health. The United States already possesses an extensive network of specialized programs, institutions, and technical experts. USAID will rely on these resources and encourage their expanded use by the donor community and developing nations.

The Agency will operate both bilaterally and multilaterally. It will continue to work with and support the United Nations Population Fund (UNFPA), the International Planned Parenthood Federation (IPPF/London), the World Health Organization (WHO), the United Nations Development Program (UNDP), the United Nations Children's Fund (UNICEF), and the World Bank and other international financial institutions and their global population, health, research, and information activities. This will enhance USAID's ability to deal with the transnational effect of population and health problems while enabling USAID to share its resources with virtually all developing countries.

Population and health programs will be responsive to needs and problems as they are defined locally. They will actively involve women clients, providers, and indigenous experts in the conception, design, operation, evolution, and evaluation of population and health programs. To be effective, programs must encourage the development and involvement of indigenous PVOs and NGOs.

We will emphasize the use of integrated approaches to expand reproductive choice and rights, help slow population growth, decrease maternal and child mortality, and reduce the spread of HIV/AIDS and other sexually transmitted diseases.

By "integrated approaches," USAID means that population programs should seek to provide individuals with access to a range of family planning methods; should integrate family planning programs, as appropriate, with services that enhance women's health and child well-being and survival, in order to enhance both the effectiveness and the acceptance of family planning services; should utilize family planning systems, as appropriate, to provide information and services that limit the spread of sexually transmitted diseases; and should emphasize the importance of providing education for girls and women. By addressing co-factors, and by implementing related programs at the same place and time, integrated approaches increase the impact and sustainability of population programs.

Integrated approaches can save resources. They also are important in addressing HIV/AIDS because this disease particularly afflicts the very people who are in their most economically productive years and who should be most active in the development process: the young, the well-educated, and people in urban centers. Care and treatment consume ever-larger portions of national resources. The progress of the disease destroys family structure and increases infant mortality and the failure of children to thrive. Limiting the spread of HIV/AIDS thus is an economical and essential investment in sustainable development.

Where appropriate, USAID will seek to integrate family planning programs with programs that enhance public health. For instance, barrier contraceptive methods, particularly condoms, are the most effective means of preventing the spread of AIDS and other sexually transmitted diseases. Similarly, mothers taking their children for immunizations may also wish to take advantage of family planning services.

Finally, USAID will emphasize the quality, continuity, availability, and technical standards of services. We will build on existing health and family planning programs, assets, and investments.

Programs and Methods

The types of programs USAID supports will vary with the particular needs of the individual country and the kind of approaches that local communities initiate and support. However, most of USAID's resources will be directed to the following areas:

Support for voluntary family planning systems, including facilities and institutions that provide information on family planning methods and distribute contraceptives. Self-sustaining family planning systems and services will remain the core of USAID's population programs. Over 100 million women in the developing world have an articulated but unmet need for family planning. Moreover, millions of young people will reach reproductive age in the near future, creating even greater demand for family planning services and imposing additional burdens on existing family planning systems. Providing information about and access to a wide range of appropriate family planning methods not only remains the most effective means of reducing population growth rates to levels consistent with sustainable development but also significantly improves the health of women and children.

Building the local capacity of self-sustaining family planning systems and services also requires support for training (including clinical training), management, logistics, other support systems, and access to technical information and technology. Programs designed to affect popular attitudes toward family planning should address the needs and attitudes of men as well as women, emphasize free and informed choice, and assess the reasons why people participate or do not participate in programs. Targets or quotas for the recruitment of clients should not be imposed on family planning providers; over the long term, meeting the unmet need for information and services is the best way to achieve national demographic goals.

Reproductive health care, including prevention and control of sexually transmitted diseases, especially HIV/AIDS, and improved prenatal and delivery services. Contraception is but one element of reproductive health, and to be effective, population and health policies must address women's reproductive health needs throughout their lives.

The particular needs of adolescents and young adults, including easily accessible information, counseling, and services dealing with early sexual activity, the health and economic consequences of early childbearing and unsafe abortions, and prevention of sexually transmitted diseases, including HIV/AIDS. Enhancing the ability and freedom of adolescents and young adults to make informed choices about contraception and health is especially critical.

Infant and child health, particularly immunizations, diarrheal and respiratory disease control, and nutrition. Complete immunization coverage and good nutrition are among the most cost-effective preventive health strategies.

Education for girls and women, particularly at the primary and secondary school levels, and basic literacy for adolescents and young women. This also correlates strongly with lower birth rates, improved child survival, and smaller desired family size.

USAID, its indigenous partners, contractors, and grantees will design programs with certain critical standards in mind to maximize their impact and to ensure the greatest return from the development funds invested:

Does the program contribute to achieving population growth rates that are in balance with available resources as measured at the global and national levels?

Does the program contribute to measurable improvements in immunization coverage; reductions in infant, child, and maternal mortality; and reductions in new HIV infections at the global and country levels?

Does the program address the attitudes as well as practices of both men and women? Does it enhance the capacity of local institutions, communities, and individuals to identify and solve health and family planning problems? Do programs and projects address issues of sustainability, especially the technical and managerial aspects?

Does the program take into account links between population and environment, health, working conditions, social mobility, and democratic governance?

Does the program contribute to greater participation by women in the work force? Does it address issues of increased empowerment of women?

Measuring Results

To measure progress toward its goals and the effectiveness of its population and health programs, USAID will evaluate results in terms of the following measures: reduced fertility; reduced infant and child mortality; reduced high-risk births; reduced maternal mortality; and slower growth (and eventual reduction) in the number of new AIDS cases.

Measures of success at the country level will vary. There will be many intermediate signs of progress, such as expanded access to, increased use of, and improved quality of family planning and reproductive health services; increased contraceptive prevalence and continuation; improved women's reproductive health; expanded immunization coverage; decreases in the incidence and severity of communicable diseases among children; lower malnutrition rates; equal access to health care by gender; and higher school enrollment ratios for girls.

Ultimately, the success of USAID's population and health strategy will be measured in terms of its contribution to expanding reproductive choice and rights, improving the health of women and children, reducing the spread of HIV/AIDS, and stabilizing world population at a level consistent with sustainable development.

ENCOURAGING BROAD-BASED ECONOMIC GROWTH: USAID'S STRATEGY

The Challenge

The world economy has grown by an average of 3.5 percent per year during the last quarter century. However, the pattern of growth has been uneven among countries and within countries. A significant number of developing nations have achieved broad-based economic growth and thereby reduced poverty substantially, but many others have not. A quarter of the world's people remain on the margin of survival, struggling with malnutrition, poor housing, illness, and unemployment. Poverty on this scale is a global problem that makes other global problems worse.

Economic stagnation and persistent poverty in developing countries directly affect the interests of the United States and other industrial nations. Developing countries that have achieved sustained economic growth and substantial reductions in poverty are the fastest-growing market for U.S. exports. But opportunities to expand into new markets cannot materialize where growth does not occur and where poverty limits the demand for goods and services.

Slow or inequitable growth and widespread poverty feed political instability and civil strife. They can drive economic migrations, as people flee economic hardship and political conflict for safer, more prosperous countries. They cause unplanned, unmanageable urbanization, as economic refugees flee rural areas for the city. They figure prominently in environmental degradation. Moreover, privation, poor health, and illiteracy contribute to high fertility, rapid population growth, and food insecurity.

The keys to economic growth and reduced poverty are an appropriate policy environment, sound institutions, good governance, adequate investment and savings, the availability of appropriate productive technologies, and access by the population to adequate food, health care, education, and housing. But beyond these basic requirements, there is no single best way to promote economic growth. USAID believes that a strategy for economic growth should be shaped by strategic objectives, not specific methods. What then is USAID's vision of economic growth?

USAID will help developing nations permanently enhance their capacity to improve the quality of life. Our fundamental goal is to help individuals within those societies improve the quality of their own lives and share equitably in the benefits of economic growth. We will concentrate on helping nations remove the obstacles that interfere with their economic vitality. We will concentrate on helping people unleash

their creative and productive energies. The inevitable result of these endeavors, we believe, will be broad-based and sustainable economic growth.

Strategic Goals and Areas of Concentration

USAID aims at helping the people of developing nations become participants in the economic and political lives of their nations, thus creating markets and reducing global poverty. We believe we can measurably contribute to this by supporting policy reforms in key economic sectors; by strengthening economic and political institutions critical to good governance; by encouraging the effective functioning of markets; by investing in human resources, especially the education and health of people; and by aiding projects designed to promote sustainable growth.

USAID will promote broad-based, sustainable growth by addressing the factors that enhance the capacity for growth and by working to remove the obstacles that stand in the way of individual opportunity. In this context, USAID will concentrate its efforts in three areas:

Strengthening markets: Healthy market economies offer the best prospects for sustained, broad-based growth, expanded individual opportunity, and reduced poverty. USAID will address policy and regulatory impediments to the development of local markets and exports. This would include the enabling environment of policies, regulations, and laws; this environment affects agriculture and commerce, especially small farms, microenterprises (including poverty lending), and small businesses. USAID will also address weak or absent institutions of a market economy; inadequate infrastructure (including markets, storage, and transport); and technical assistance for the privatization of state-owned enterprises.

Expanding access and opportunity: USAID will pay particular attention to expanding economic opportunities for the less-advantaged in developing countries by helping to promote microenterprises and small businesses; by focusing on the development and delivery of technology, including agricultural technologies appropriate to small farmers; by enhancing food security at the household and community level; by increasing the access of women to employment, land, capital, and technology; and by supporting social sector development intended to enhance the well-being of poor and disadvantaged peoples.

Investing in people: Building human skills and capacities throughout a society is essential for sustained growth, poverty reduction, and improved quality of life. USAID will support programs that address inadequate health services, particularly in

the area of basic, preventive, and reproductive health care; education systems, especially primary education for girls and women; technical and business skills and access to technology; and other related social services and institutions that facilitate broad-based participation, especially by women, indigenous peoples, and other disadvantaged groups.

Operational Approaches

USAID's efforts to promote broad-based economic growth will be shaped by these thematic approaches:

Participation. Fundamental to broad-based economic growth is the widespread involvement of individuals in the economy and society at large. USAID programs will foster participation in this broader sense, ensuring that efforts to promote economic growth involve and enhance the prosperity of people throughout the productive sector, especially microentrepreneurs, small business owners, smallholders, and members of cooperatives.

Institutional Development. Development must rely on local capacities. Foreign donors can assist, but the fundamental burden rests with the people and institutions of developing countries. USAID seeks to strengthen public and private institutions in developing countries, so that they can manage their own development process, consistent with the wishes and needs of their citizens. The objective should not simply be more institutions, but better institutions -- legal codes that are more coherent; courts that can enforce their decisions; and bureaucracies that are more effective and more responsive to the individual.

Sustainability. USAID has an interest only in economic growth that is sustainable. Growth that occurs without regard for degradation of the natural resource base impoverishes future generations. Growth that depends on constant infusions of grants or subsidized financing from abroad is inherently unsustainable.

Sustainability entails transformations. It requires the transformation of the work force so that it is healthier, better educated, and more inclusive. Concomitantly, sustainability entails increases in productivity that do not rely on the increased exploitation of workers. Sustainability requires an indigenous capacity to generate technology appropriate to local needs, as well as policies and institutions that facilitate the transfer and adaptation of technology from abroad. In predominantly agrarian societies, sustainability entails the transformation of subsistence farming into an agriculture that can create surpluses and increase rural incomes. It depends upon a

viable urban sector that can generate jobs, provide essential services, accommodate migration, and boost productivity. Most important of all, sustainability mandates the greater involvement of individuals and communities in the decisions that affect their well-being.

Programs and Methods

In planning and supporting programs, USAID will ask: What is needed to unleash the productive capacity of this society? To strengthen markets, invest in people, and expand access and opportunity, especially for the less advantaged, USAID will support the following kinds of programs and methods:

In the Area of Strengthening Markets: The foundation of economic growth is a favorable policy and institutional environment. This creates and strengthens markets, which, in turn, increase efficiency, encourage broader participation, and reduce poverty. Few foreign assistance projects can achieve their goals in an unfavorable environment.

Our objective is to work with host country governments, local authorities, communities, individuals, and other donors to create an enabling environment, comprising policies and institutions, that systematically and consciously encourages both individual initiative and choice in the private sector. USAID's programs to strengthen markets will pay close attention to improved governance and local empowerment, because these factors, more than anything else, determine the success or failure of policy reforms and institutional investments.

USAID will assist host nations in building indigenous institutions and developing policies that promote openness to trade and investment, support agriculture and rural enterprise, strengthen infrastructure and delivery of services in cities, provide adequate incentives for exports, reinforce the effectiveness and transparency of fiscal and monetary policy and regulations, avoid inefficient import substitution and unwarranted protection, and strengthen the enabling environment for development of the private sector.

USAID's programs for policy, regulatory, and legal reforms will help governments address such areas as tariffs and other trade restrictions; tax codes; investment; privatization; pricing mechanisms; the informal sector in both rural and urban economies; financial markets and services; agricultural production, marketing, subsidies, and land tenure arrangements; labor laws and policies; formalized property rights, including intellectual property rights and patents; contract and property law;

and business regulations. Particularly at the macroeconomic level, USAID will coordinate closely with the reform programs of the World Bank and the International Monetary Fund. USAID will assist recipient governments in their efforts to formulate and implement adjustment policies that are consistent with the country's development and can be supported by its people.

The Agency will help to build institutions by addressing the restructuring and development of local, provincial, urban, and regional markets; reform of the education and health sectors; and reforms that encourage efficient private and public investments in infrastructure, especially capital projects such as roads, ports, housing, water supplies, sewage and waste systems, and electrical grids.

USAID will encourage the establishment of flourishing agricultural sectors by addressing policy issues, marketing factors, and technologies. Programs will focus on factors that are pivotal to agricultural success: market-oriented pricing and trading policies; access to inputs, such as seeds, fertilizer, credits, technologies, information, and land; access to domestic and export markets; and crop production and marketing choice. USAID will continue to support agricultural research -- work that has had a global impact and is indispensable to developing new methods and technologies that enhance growth and productive employment opportunities.

In the Area of Expanding Access and Opportunity: Local groups and individuals must take part in identifying problem areas, suggesting solutions, planning and designing projects, organizing intermediary institutions, overseeing implementation, and evaluating successes and failures. This, in turn, requires a commitment to leveling the playing field and empowering individuals so that they can fully participate in the development of their nation.

This is especially true for people who are mired in extreme poverty. Their primary need is the wherewithal to acquire sufficient food, a modicum of assets, and access to markets so that they can join the productive economy. Microenterprise development, including poverty lending, can be an effective way to address this need -- the overriding, daily concern of more than a billion people.

USAID's programs thus will emphasize microenterprise and small business development. Our microenterprise programs will address three elements that are critical to broad-based economic growth and participation: removing obstacles that impede the creation of new businesses that provide incomes; helping existing enterprises to expand; and supporting the transition of small businesses and microenterprises to the formal sector.

To help microenterprises and small businesses become established and grow, and to assist the poorest men and women to become economic participants, USAID will support programs to simplify regulatory procedures and increase access to markets and technology. We will work with national and local authorities and private groups to enhance access to capital through cooperatives, village and neighborhood banks, and other poverty lending institutions. To help poor individuals and communities accumulate assets, finance their own development, and lessen their dependence on external sources of capital, USAID will support the development of banks and other self-sustaining financial institutions, including credit unions, that service small savers and borrowers.

Finally, because the protection of human rights, including the rights of workers, is fundamental to sustainability, USAID will support programs that seek to expand and safeguard these basic rights. USAID programs to promote economic growth will take into account labor conditions and worker rights, especially those of women, the poor, indigenous peoples, economic and political migrants, and those vulnerable to debt servitude and indentured labor.

In the Area of Investing in People: USAID believes that sustainable, broad-based development requires investing in people to improve their health and productivity, enhance their skills, protect their rights, and help them be full participants in society.

The acquisition of economically valuable skills plays a central role in the empowerment of individuals. Education increases social mobility and thus serves as a formidable mechanism of conflict resolution. Moreover, rising education levels are critical to democratic governance and peaceful political discourse. USAID's education programs will give particular emphasis to the quality and availability of primary education, especially for the poor, women and girls, and minorities. The Agency will also support targeted, market-oriented interventions, aimed at technical and vocational training; the freer flow of technology and technical information; and training in business skills.

Recent World Bank findings show that a package of basic health care services can dramatically enhance societal productivity, especially among the poor. Such services alleviate many curable but endemic and debilitating illnesses that prevent people from earning a living or participating in society. Thus, USAID will support the creation and improvement of systems that provide basic, reproductive, and preventive health care. USAID will also focus on maternal health; child survival, including nutrition, immunizations, and treatment of diarrheal diseases and acute respiratory infections; access to clean water; control and elimination of endemic

tropical and infectious diseases; prevention of HIV/AIDS and other sexually transmitted diseases; and the training of professionals and technicians in basic, reproductive, and preventive health care.

Measuring Results

Programs will be designed to produce results that demonstrably affect and enhance the way people live. In their conception and implementation, programs to stimulate economic growth must benefit local populations. In evaluating the impact of programs, the overarching concern should be whether standards of living have improved and whether improvements have been manifested broadly within society. While no program can touch every aspect of economic life within a society, individual programs in each of the three areas of concentration need to be structured to produce affirmative answers to these kinds of questions:

Has the incidence of poverty declined? Have incomes and employment risen for the key groups that comprise the poor? Are countries better able to address poverty using their own resources?

Are employment, incomes, and productivity in the informal sector rising? Have a significant number of microenterprises expanded their scale of operations or made the transition to the formal sector? Have women, minorities, and indigenous peoples participated in this expansion?

Have agricultural incomes and disposable rural incomes improved? Have increases in agricultural incomes been spread broadly among the rural population? Do small farmers have increased access to improved seeds, farming methods, purchasing and marketing structures, technology that allows them to increase their productivity, and export markets? Have these improvements increased farm income?

Are markets working more efficiently, with increased levels of activity and broader participation?

Have governments implemented and maintained agreed sectoral reforms? Have those reforms had the positive economic effects intended? Do the reforms enjoy sufficient public support so as to make them sustainable?

Has the quality of primary education improved? Has the number of children with access to primary education risen? Is the proportion of girls in primary schools

increasing? Is the proportion of children of indigenous peoples in primary schools increasing?

Has the availability of capital to the poor increased? Are more community-based lending institutions operating? Has the number of small savings institutions, such as credit unions, increased? Has the ability of these institutions to attract deposits increased? Are they viable and sustainable?

Do indigenous NGOs, including labor unions, PVOs, cooperatives, and consultative planning councils, function in ways that empower the poorest people in society and enable them to participate in national economic and political life?

Has agricultural productivity increased? Have market prices for food remained stable or decreased? Do individuals and communities have greater access to food, either through increased production or easier acquisition through markets?

Have the flow and availability of technical and support services to small businesses and microenterprises improved, and have they had a measurable effect on productivity, job creation, and profitability?

Has public health improved? Are improvements evident among all sectors of society? Have these indicators improved: the rate of infant mortality? Access to family planning services, including programs for prenatal care and maternal health? Number of cases of communicable diseases? Rate of childhood inoculation? The rate of malnutrition among children? Access to basic health care services? Equal access to health care by gender? Access to clean water?

By supporting programs that produce positive answers to questions like these, USAID can enhance the political and economic interests of the United States and materially assist the emergence of a more peaceful, more prosperous world.

PROVIDING HUMANITARIAN ASSISTANCE AND AIDING POST-CRISIS TRANSITIONS: USAID'S STRATEGY

The Challenge

The United States has a long and generous tradition of providing assistance to the victims of manmade and natural disasters. Our nation has traditionally viewed humanitarian assistance as both an act of national conscience and an investment in the future. USAID thus was established as both a development agency and America's primary means of providing emergency relief overseas.

For Americans, humanitarian assistance is not an act of charity, but an integral part of our vision of how a community of nations, some fortunate and some troubled, should operate. USAID has earned a reputation for delivering relief to people in need quickly and effectively. The Agency has embodied the conviction that with time and a helping hand, even the most afflicted nation can become stable again and turn to the future with hope.

The end of the Cold War has created new challenges that test the capacity of USAID and the international community to provide relief. Even as superpower tensions have eased, religious and ethnic rivalries have sharpened. The sudden demise of the Soviet bloc left many fragile, internally conflicted states. A number of profoundly weak nations, particularly in Africa, have reached the point of terminal collapse. Other countries are struggling to implement fragile settlements to protracted internal wars.

Increasingly, tensions are exploding into armed conflict. Civilians have become primary targets, and thousands have been killed. Entire societies have been devastated. Millions of people have been internally displaced or turned into refugees, with scant means of earning a living, and little hope of repatriation.

Traditional disaster relief has been affected by these events. Societal breakdowns increasingly impede the integrated responses that work best against drought and famine. In a nation divided by civil war, every act of charity may be politicized by one faction or another.

The disintegration of civil society, in and of itself, invites disaster: Rising disorder devastates the economy and skews the distribution of food, water, and essential goods and services. It destroys local institutions that people normally rely

upon to organize a response. It makes small calamities more severe, and thus foment catastrophe.

The end of the Cold War has also created more so-called transitional situations -- circumstances in which countries try to emerge from a national conflict, a significant political transition, or a natural disaster -- where the timely provision of assistance can help revitalize society, reinforce institutions, and preserve national order. These countries have special needs that are not addressed by traditional disaster relief or long-term programs of sustainable development: the reintegration of dislocated populations, including demobilized soldiers; the restoration of elementary security and infrastructure; and the creation of political institutions. Transitional nations often are poised simultaneously for either growth or chaos. Given the opportunity and the risks -- especially from the failure to act quickly and effectively -- the donor community must try to respond.

USAID has learned four lessons in recent years that will guide our programs of humanitarian assistance.

Humanitarian relief and disaster planning are integral to sustainable development. Manmade and natural disasters can wipe out years of development in a matter of minutes. The costs of clean-up, reconstruction, and adjustment associated with large-scale natural disasters can impose burdens on a national economy that persist for years. War, famine, and environmental damage can undermine development for decades to come.

Annual losses from natural disasters now equal the total of official development assistance, so investments in prevention and mitigation promise a significant financial and strategic return. By enhancing local capacities to deal with disasters, we can help developing nations strengthen their technical resources, their ability to plan for the future, and ultimately, their resilience.

Increasing attention must be given to preparation for manmade and natural disasters and to prevention or mitigation of their effects. Local politics and government policies are the hidden components of all disasters, even natural ones, for they can ease the impact of calamity or make it worse. Prevention, especially of manmade disasters, requires attention to policy, planning, and strengthening local capacities. Disaster preparation also demands careful examination of relief efforts and recovery plans and the assumptions on which they are based -- before disaster strikes.

The United States cannot bear the burden alone. It must collaborate with other donors and encourage them to contribute their share of the spiraling costs of

relief. Multilateral leadership, especially from the United Nations, is essential to resolve underlying conflicts peacefully and to prevent discord from turning into crisis and societal breakdown.

USAID's humanitarian activities mandate cooperation at home and abroad.

The United States must use its resources carefully and forge partnerships with every potential provider and contributor of humanitarian assistance in the United States, in the international donor community, and in developing nations. USAID believes that indigenous non-governmental organizations (NGOs) and the local private sector are critical partners in formulating and implementing participatory, community-level programs for disaster prevention, mitigation, and reconstruction. In the aftermath of disaster, their involvement is essential to the restoration of infrastructure, social services, food security, and local political institutions. Moreover, longer-term rehabilitation and recovery programs to achieve sustainable growth at the national level must build upon grassroots activities that involve and empower local communities and individuals.

Humanitarian assistance is not an end in itself, but an integral part of an overall strategy for sustainable development. By helping nations acquire the means to plan for and respond to disasters, and by helping them return to the path of economic and social development, USAID can measurably contribute to a more peaceful and prosperous world.

Strategic Goals and Areas of Concentration

USAID will provide humanitarian assistance that saves lives, reduces suffering, helps victims return to self-sufficiency, and reinforces democracy. We will aid people in need without regard to the politics of their government.

We will focus on these types of challenges:

- Disaster prevention, preparedness, and mitigation.
- Timely delivery of disaster relief and short-term rehabilitation supplies and services.
- Preservation of basic institutions of civil governance during disaster and crisis and support for new democratic institutions during periods of national transition.

50

- Building and reinforcement of local capacity to anticipate and deal with disasters and their aftermath.

Operational Approaches

USAID will emphasize certain methodologies and operating styles as it provides humanitarian aid:

Coordination: The President has designated the USAID Administrator as his Special Coordinator for Disaster Assistance. As Special Coordinator, the Administrator organizes and oversees the response by agencies and departments of the U.S. Government to foreign disasters. He also coordinates American relief efforts with those of other nations and donors.

The humanitarian, political, and military responses undertaken by the United States must be cohesive and mutually reinforcing. USAID will attach the highest priority to ensuring that its activities contribute to the U.S. Government's policy objectives in the nation and region seeking assistance. USAID will work closely with the Department of State and the Department of Defense to plan and implement relief operations, particularly the allocation of resources and the coordination of diplomatic and relief efforts.

The effectiveness of humanitarian assistance will be determined by the workings of an international relief system. USAID will help to strengthen the capacity of the United Nations to provide humanitarian relief and will coordinate closely with U.N. peacekeeping operations when they are involved in nations receiving humanitarian aid.

USAID will work with other departments and agencies of the U.S. Government; the United Nations and its agencies; multilateral development banks; other bilateral donors; international relief organizations; private voluntary organizations (PVOs), particularly those based in the United States and in recipient countries; cooperative development organizations; U.S. and foreign corporations; universities, colleges, and academic associations; business and trade associations, professional groups and groups whose members possess specific technical skills; and individual volunteers and activists to coordinate disaster planning, allocate resources and technical services, determine prepositioning of supplies, establish systems of transportation and delivery, and make in-situ assessments.

Coordination should include such things as enhanced cooperation with technical agencies of the U.S. Government that are skilled in the environmental and energy

aspects of disaster management; closer ties to technical, medical, industrial, academic, and professional associations to facilitate donations of cash, supplies, and skilled labor; relationships with local and international businesses to utilize their facilities and community ties to plan for and coordinate responses to disasters; ties with academic institutions, in the United States and abroad, to train individuals and communities in disaster prevention, mitigation, and management; programs to develop local and national disaster plans; and establishment of advanced communication networks and the sharing of technical resources and information.

USAID has extensive experience providing humanitarian assistance and the expertise necessary to manage large, complex relief programs. USAID's field missions possess an understanding of the local environment that is essential to the success of these programs. Our capabilities will be further strengthened by close coordination with international and indigenous NGOs, our natural partners in development.

Rapid Response: USAID has developed and will maintain the capacity to begin delivering relief supplies and services within hours after the occurrence of a natural disaster. Working with PVOs and the U.N.'s World Food Program, USAID has also developed and will continue to maintain the ability to operate large-scale emergency feeding programs.

USAID is now developing the wherewithal to respond rapidly in countries undergoing crises and transition to new political and economic systems. These include failed and "teetering" states, those subject to internationally negotiated settlements of protracted wars, and newly independent and newly democratizing states.

Certain crises and transitions have urgent requirements that traditional programs of disaster relief, peacekeeping, and long-term development do not address. In many cases, intrinsically manageable crises have spiraled out of control, at great cost and suffering, because of the inability of the international system to fill this "gap" quickly. Our rapid response capability will enable us to assist governments in planning and assessing how to maintain basic governmental services and civil authority, restore essential infrastructure, and introduce political development programs in time to encourage democracy.

Integrated Approaches: Too often, the need for humanitarian assistance is the byproduct of poverty-related degradation of natural resources, such as desertification or flooding due to deforestation, or the disintegration of food production systems and communal security nets. It is much cheaper to conserve existing economic assets and systems than it is to rebuild them.

Effective development programs provide an important buffer against natural disasters. USAID will assess all of its programs to ensure that they do not directly or indirectly contribute to manmade disasters or exacerbate natural disasters. USAID will encourage host governments and local participants to examine whether current economic practices contribute to cycles of crisis. USAID will support programs, especially those dealing with the environment and economic development, to strengthen the ability of society to weather disasters, respond effectively, and recuperate quickly. By emphasizing participatory development, the building of local capacity, and the acquisition of disaster management skills, USAID will enhance the ability of host countries to pursue sustainable development and to sustain that development even in the most difficult circumstances.

Programs and Methods

The types of humanitarian assistance USAID will provide will depend on the circumstances of each specific situation and each country. To ensure that the United States can respond effectively, USAID's resources will be allocated to the following programs:

Disaster preparedness, mitigation, and prevention. Preparedness activities will be concentrated in disaster-prone countries. These may include such programs as cyclone warning systems; volcano monitoring and evacuation plans; earthquake risk management; famine mitigation, including early warning, vulnerability mapping, and coping strategies; and professional training in disaster management. These programs will focus on preventing and mitigating disasters through improved construction and siting practices; enhanced policies, regulation, and enforcement; modern industrial and environmental planning and safety procedures; and planned emergency responses and improved crisis coordination. USAID also will preposition relief stocks in strategic locations around the world.

Assessment of requirements. USAID will maintain its practice of assessing emergency conditions in order to identify relief needs and establish U.S. relief priorities. Such assessments may be performed by field missions or by USAID/Washington in close coordination with indigenous and international NGOs and international disaster experts. In some cases, specific assessments of food needs may be necessary.

Delivery of disaster relief, supplies, and services. Major disasters will normally require close coordination with other donors, especially the United Nations and its agencies, and other agencies of the U.S. Government. Indigenous, U.S., and

international PVOs frequently will participate in the delivery of assistance. Early disaster relief may include feeding programs; disease control and emergency medical services, including immunizations, child survival interventions, and maternal and reproductive health care; emergency shelter; and restoration of communications, basic transportation, and financial services.

Disaster Assistance Response Teams. In selected cases involving especially serious emergencies, or situations where there is no on-site field presence, Disaster Assistance Response Teams (DARTs) will be used to assess needs. DARTs may also be used to coordinate USAID's response with other donors and the host government, to direct USAID relief efforts, and to strengthen communication and coordination among other agencies of the U.S. Government, such as the Department of Defense, as well as NGOs and other donors.

Crisis and transition assistance. USAID will concentrate on planning and coordinating programs that help nations return to the path of sustainable development. Specific actions will depend on the needs of the country and the contributions of other donors.

USAID will evaluate potential crises and transitions and may dispatch evaluation teams to provide on-site assessments of transition needs, resources, and capabilities. Other transition activities may include planning and assessing the need for aid for demobilization, training, and the social and economic reintegration of dislocated populations, especially women, children, internally displaced people, refugees, and former combatants; supporting the processes of political reconciliation; technical and logistical support for the drafting of new national charter documents; training to improve civil-military relations; assistance with judicial reform, the administration of justice, and the protection of human rights; help in organizing, conducting, and monitoring elections; reinforcement of national and communal institutions; providing short-term support to strengthen local NGOs; assisting other relief and development agencies in locating and utilizing services and resources; seeking matching funds and donations to leverage limited resources; and working closely with the Department of State and multilateral organizations to help ensure the safety of aid and relief workers.

Since the reestablishment of a degree of food security is an important step in the return to normality, USAID will assist nations that have just emerged from the most acute crisis phase to revive their agricultural production by providing seed, fertilizer, tools, and technical expertise. This will permit first- and second-year planting and help farmers and people returning to the farm to end their dependence on relief. Food aid itself can be an effective transition tool where, by use of

monetization through the private sector, it is specifically targeted at restoring food markets that have been disrupted by crisis.

Finally, the development of enhanced technical capacities by PVOs and multilateral partners is critical to the delivery of humanitarian assistance. The increased capability of these organizations can only assist USAID's mission.

Measuring Results

The impact of humanitarian assistance cannot be measured only in terms of supplies shipped; the ultimate test comes from judging whether lives have been saved and communities revived. This is a complex and long-term process, and to find answers, four areas for assessing performance must be addressed:

First, the structure for responding to disasters and to the needs of countries in crisis and transition must be in place. Before crises occur, USAID, in close coordination with other agencies of the U.S. Government, multilateral agencies, PVOs, and local authorities, will ask:

Have supplies been stockpiled and service providers identified? Are supplies secure from loss and theft? When USAID moves to deliver goods and services, will they go to the right place in the right amount with the intended effect?

Have the prevention, mitigation, and preparedness activities of USAID anticipated needs and are they effective? Have local communities and businesses been enlisted for planning, prevention, and response? Do proposed shipments of supplies match and maximize local skills and capacities? In view of past disasters locally and regionally, are preparations commensurate with likely needs?

Are the partnerships and relations with the United Nations (including the World Food Program) and the PVOs understood by all? Are mechanisms in place to coordinate supplies, donations, and offers of skilled labor and ensure that they are delivered where and when they are needed?

Second, actual delivery of supplies and services must be timely and effective. During crises, USAID and its partners will ask:

Do disaster relief supplies and services reach their intended destination in time to make a difference? Are all forms of emergency relief supplies readily available and

own natural disasters and political crises. After the crisis stage has passed, USAID and its partners will ask:

Is USAID, in coordination with local authorities and communities, PVOs, and multilateral institutions, developing and implementing long-term development programs that measurably enhance the ability of countries to anticipate and manage natural disasters? Are the economic, political, environmental, social, and institutional causes of manmade disasters being addressed?

Have countries in crisis and transition made measurable progress toward a political and economic transformation?

Humanitarian assistance activities ultimately must be measured by simple, yet profound standards: Do these activities prevent human misery that is avoidable? Do they provide relief for human misery that is not? Does this assistance help countries that have suffered natural or manmade disasters and crises return to the path of sustainable development?

Questions for the Record Submitted to Under Secretary Moose and
AID Administrator Atwood before the
House Foreign Affairs Committee
February 3, 1994

Question:

There are provisions of H.R. 3765 which apply to Title I, Sustainable Development, but not to the other programs in the Bill:

- evaluation and managing for results
 - consistency with sustainable development
 - consideration of environmental impact
- Why don't these apply to all programs under the Bill?

Answer:

These provisions were developed specifically for the Sustainable Development chapter of the Peace, Prosperity, and Democracy Act of 1994 (the "Act"), and reflect current practice within USAID with regard to evaluation and managing for results, and current law with regard to consideration of environmental impact.

The concepts underlying certain of these provisions will be followed, as appropriate, with regard to other assistance activities under other titles of the Act. Consistency with commonly accepted environmental standards, for example, is a very high priority for this Administration. Programs will be judged on a case-by-case basis to ensure adequate attention to such standards.

However, there are circumstances where specific criteria applicable to Title I programs are not appropriate for programs that fall under other titles. For example, attempts to apply standards for environmental impact statement requirements to other programs could result in undue delays and results of questionable value.

It is worth highlighting that one of the key goals of organizing the fiscal year 1995 international affairs budget by the same mutually reinforcing objectives as are used in the Act, is to develop clearer linear relationships between the allocation of resources and the achievement of such major objectives. We will consult closely with Congress as we develop ways to better establish these relationships and to evaluate results.

II. Human Rights

Question:

Under HR 3765, what human rights conditions must countries meet if they are to receive assistance?

Answer:

As noted in section 7302, assistance is to be formulated and conducted to provide and advance human rights. The government of any country will be ineligible for assistance under the bill if the government engages in a consistent pattern of gross violations of internationally recognized human rights.

II Human Rights

Question:

Why don't you require all countries to meet specific human rights standards as a threshold requirement to providing assistance?

Answer:

As stated in section 7302 a key objective in providing assistance is to promote and advance human rights. Writing into law a list of human rights standards would limit flexibility necessary to influence behavior in a given country over a given time period. Although human rights standards are universal, the human rights situation in every country is unique in some way. We assess the whole picture in deciding whether an assistance program will promote human rights.

Policy decisions must take into account the interplay of different objectives that determine our national interest. We would not wish to constrain our ability to consider the full range of these objectives.

Question:II. HUMAN RIGHTS

The Building Democracy title (Title II) seems aimed at a wide variety of political, legal and civic changes that promote a democratic society. Protection of human rights is addressed primarily in this section, always in the context of democracy building.

- Is it the view of the Administration that the existence of a democratically elected government always guarantees respect for human rights?
- If not, why are human rights concerns included only as an extension of democracy building?
- Shouldn't protection for human rights be addressed as a policy objective that is distinct from, and complementary to, democracy building?

Answer:

- Human rights are more safely anchored in established democracies than in any other political system; authoritarian or non-democratic governments are much more likely to violate human rights. However, the existence of a democratically elected government will not always guarantee respect for human rights.
- Democracy and human rights are complementary and mutually reinforcing. Democratic institutions provide the best

guarantees of fundamental human rights. For example, promoting legal and judicial reform directly improves the protection of human rights while strengthening democratic society. Therefore, the Administration feels that one way to improve respect for human rights is to provide assistance to newly democratizing countries or those countries whose nascent democratic institutions are threatened.

- As both the President and Secretary Christopher have emphasized, the protection of human rights is and remains one of the primary objectives of the Clinton Administration's foreign policy. As the recent release of our annual Human Rights Reports illustrates, the Administration takes very seriously its task of monitoring and reporting on human rights abuses in an evenhanded manner. We will continue to follow up this monitoring with active diplomatic efforts.
- The Administration feels that the best way to use foreign assistance to achieve its human rights objective is through the promotion and support of the growing worldwide trend towards democratic societies. In particular, assistance programs which focus on developing a free and open press help promote free expression while strengthening the "watchdog" function of a country's civil sector. In addition, assistance programs designed to nurture and strengthen indigenous non-governmental organizations, especially human rights advocacy groups, will increase government accountability while also strengthening civil society.

III. ADMINISTRATION OF JUSTICE/POLICE TRAINING

Question

H.R. 3765 would appear to increase existing problems with the proliferation of administration of justice, rule of law, and police training programs. Such programs could be carried out under virtually every title of this bill.

- Should not one agency be designated to take primary responsibility for coordination of these programs?
- How can an effective program be carried out when authority and responsibility is so blurred and diffuse?

Answer:

The Department of State is to take primary responsibility for coordination of Administration of Justice, Rule of Law and police training programs abroad. We believe we can address coordination and oversight problems in the interagency working group (IWG) process.

The Peace Prosperity and Democracy Act focuses on results, not process. Because these justice and law enforcement training programs are a tool to achieve results, they appear twice under building democratic institutions under Title II and countering criminal activity under Title III of the Act.

Question

Narcotics, terrorism and international crime authorities are included in Title III, -- which focused on promoting peace. However, it seems that the direction that U.S. programs should be taking in this regard should be focused on building democratic institutions, such as the judiciary and law enforcement entities, capable of addressing this criminal behavior.

A. What led to the decision to include these authorities in the Promoting Peace title rather than in the Building Democracy title?

Answer:

Narcotics, terrorism and international crime issues relate to both Promoting Peace and Building Democracy titles. In an effort to keep a unified account for authorizations, appropriations, allocations, and Congressional oversight, we chose to include these authorities under a single title. This decision does not diminish our commitment to build democracy through institutions devoted to countering narcotics, terrorism, and international crime. Indeed, that is the core of our global strategy. These are cross-cutting issues which apply both to promoting peace and building democracy.

B. Should not the goal of such programs be building professional institutions capable of addressing narcotics, terrorism, and crime?

Answer:

Yes, our major goal in narcotics, terrorism and international crime programs is to promote and build professional institutions that are able to competently handle these issues. Where the specific authorities are placed in the bill will not in any way diminish this essential reality. The broad categories in the titles in the new charter are not mutually exclusive. Programs for narcotics, terrorism, and international crime have a significant role in building democratic institutions, as well as in promoting peace.

C. If these authorities are retained in title III, how would programs conducted under these authorities be integrated and coordinated with democracy building programs under title II?

Answer:

These consolidated authorities will permit the programs to be closely integrated and coordinated with title II programs. Budget appropriations and Congressional oversight will be simplified by keeping these issues under a single title. Again, the objectives served by the separate titles are complementary, not mutually exclusive. Closer integration and coordination of these programs, as appropriate, with title II programs will also be enhanced by the proposed creation of a new consolidated Narcotics, Terrorism, and International Crime Bureau.

Question

The certification process for major narcotics producing and transit countries has been the subject of some debate over the years. However, successive Assistant Secretaries for International Narcotics Matters have cited it as an extremely useful tool in our bilateral relations.

Given the stated Administration support for the certification process, most recently in testimony in May of last year, why is it not retained in H.R. 3765?

Answer:

The certification process, documented by the International Narcotics Control Strategy Report, has not been dropped from the bill. We have tried to simplify the certification process to allow for maximum flexibility in both the Administration and Congress while continuing to use it to achieve our bilateral goals.

IV. NARCOTICS, TERRORISM AND CRIME

Question

Section 3402 provides the President with authority to provide "concrete anti-crime, anti-terrorism, and anti-narcotics assistance". The U.S. has conducted anti-narcotics and anti-terrorism programs for many years, but anti-crime programs would be new.

- What exactly do anti-crime programs entail?
- How would this differ from the vast array of anti-narcotics, anti-terrorism, administration of justice, and other police training programs the United States already conducts?
- What agency of the U.S. Government would be responsible for the conduct of anti-crime programs?
- How would such programs be coordinated with other police and judicial assistance programs conducted by the United States?

Answer:

Anti-crime programs will focus specifically on combatting international criminal activities such as economic and financial crimes and illegal trafficking activities, including alien smuggling that increasingly pose a threat to U.S. security interests. The anti-crime programs are to target a set of transnational problems not addressed by anti-narcotics and anti-terrorism programs.

The Department of State is responsible for the conduct of anti-crime programs. Under the proposed IWG process, the Assistant Secretary for International Narcotics Matters who oversees the activities of the new Office of International

Criminal Justice would co-chair an interagency group to coordinate judicial and law enforcement assistance worldwide to more effectively combat international criminal activity.

Anti-crime programs will foster bilateral and multilateral cooperation to improve training of law enforcement personnel to eliminate organized criminal groups, to strengthen national law enforcement institutions in newly emerging democracies and to improve international efforts in the United Nations and other international organizations to combat international crime.

Anti-crime programs will be designed to complement assistance already being provided by the U.S. government, other countries and international organizations. Training will be accomplished by U.S. law enforcement agencies, except for that funded through international organizations.

Question:V. SECURITY ASSISTANCE

In the past, one of the principal reasons for providing security assistance was to halt the spread of communism.

- Now that the Cold War is over, what is the major rationale for providing security assistance under the draft legislation?
- How does the draft legislation reflect the changed security environment?
- How does the draft legislation achieve its stated purpose of promoting peace through the provision of security assistance?
- What is the rationale for combining in a single authority military assistance, cash transfer assistance and other forms of economic assistance in Title III?
- Why have these distinctions been eliminated in H.R. 3765 -- what policy purpose does this blurring of lines between types of assistance serve?

Answer:

The demise of the communist threat has not meant the disappearance of threats to peace and democracy. Ongoing conflicts in Africa, in the former Yugoslavian states, and the ethnic-inspired warfare in the former Soviet Union, have all demonstrated that peace may not be taken for granted; that, at any time we may be called to pursue the security or humanitarian interests of the U.S. throughout the world.

The draft legislation gears military assistance to the pursuit of two of the Administration's foreign policy objectives: Building Democracy and Promoting Peace.

Rather than providing reactive authorities, the legislation provides active authorities to permit progress designed to prevent and curb instability. The underlying theory is that stemming instability is cheaper than conflict; that democratic states are less likely to wage war than totalitarian states; and, that prudent investment in the prevention of conflict and the pursuit of international democracy furthers significantly the interests of the United States.

The Administration's new direction is to link security assistance funding requests to foreign policy goals, rather than to countries. In this regard, funding would still be allocated to country, international organizations and program accounts, but for the purpose of attaining specific objectives.

Funding requested will be presented by account based on objective, but for specific types of assistance (i.e., military financing, economic assistance and defense training) which will serve to further the accounts' objectives. No blurring of distinctions is intended. In fact, the fundamental change between the "Discussion Draft" submitted in November, and the final bill transmitted was to distinguish between economic and military assistance in the three chapters where military assistance would be provided -- in titles II and III. The final bill provides that military assistance accounts are to be authorized for these

purposes -- countries in transition, regional peace and security and counter-narcotics. Further, when Congress reads the congressional presentation documents for Democracy and Peace, there will be no questions as to the types of assistance for which, and the objectives to be served by, the funds are being requested.

Question:V. SECURITY ASSISTANCE

Mr. Atwood's statement says that Title II, Building Democracy, would authorize assistance "to help meet security challenges on a transitional basis".

- What kind of security assistance?
- Military assistance to NIS or Eastern Europe?
- What timeframe is meant, "on transitional basis"?

Answer:

Mr. Atwood was referring to the subchapter on Countries in Transition to Democracy (CIT), where \$143 million has been requested for building democracy. This amount includes assistance (defense training) in the NIS and Eastern Europe and in other states as well.

The countries for which CIT funding is proposed must meet the criteria specified in the subchapter, that is:

- countries that have recently emerged or are in the process of emerging as democratic societies; or,
- countries that have recently emerged or are emerging from civil strife, and either have a democratically-elected government, or are making progress toward developing a democratic form of government; or,

- countries where democratic progress or institutions are threatened.

The intent of the legislation is that, when countries grow out of the CIT criteria, that is, develop sufficiently strong democratic institutions and function as democracies for a reasonable period of time, or having overcome serious threats to democratic progress or institutions, they will no longer be eligible for funding under this account, but may, instead, qualify for assistance under another account designed to serve a different objective.

Question:

V. SECURITY ASSISTANCE

Besides the Foreign Assistance Act and the Arms Export Control Act, several other authorities permit the provision of security assistance and are not subject to the restrictions and limitations of the FAA and AECA. These include, among others, humanitarian assistance and transportation assistance through the Department of Defense, the CINC Initiative fund, and Nunn-Lugar funds to implement U.S. arms control agreements with the former Soviet Union. Such accounts are growing in number and size.

- How, if at all, does the draft legislation seek to coordinate this large array of security assistance spigots and accounts?
- Does the draft legislation make Department of Defense security assistance activities subject to the strictures and limitations of the FAA and AECA?
- If not, why not?

Answer:

The draft legislation does provide a framework for coordination of all programs for which the Department of State has primary policy responsibility, but does not seek to consolidate programs that are currently authorized and appropriated by DoD oversight committees and over which DoD has primary responsibility, such as Nunn-Lugar. Although the Administration has not sought to consolidate these programs under one omnibus legislative authority, State does and will continue to work closely with the DoD and other government agencies to ensure that U.S. assistance programs complement and do not duplicate or overlap one another.

Agencies in DoD responsible for implementing traditional security assistance programs authorized pursuant to State's current authorities, the FAA and AECA, and for which State has lead responsibility are, of course, subject to the relevant restrictions and limitations in the FAA and the AECA.

Question:**V. SECURITY ASSISTANCE**

The amount of excess defense articles (EDA) provided to foreign countries has more than doubled in the past three years, from some \$700 million in fiscal year 1990 to more than \$1.5 billion in fiscal year 1993. As regular security assistance funds have decreased, we have seen a growing trend to use EDA as a replacement.

- Does the Administration have an overall policy on the provision of EDA?
- How would H.R. 3765 practically affect the way EDA is currently provided and to whom it is provided?
- What standards should a country meet to receive EDA as envisioned in this legislation?
- Should there be some overall limitation on how much EDA is available to foreign countries, either on a country-by-country basis or a worldwide basis?
- Will congressional presentation document provide summary accurate information on previous year transfers and projections on future transfers?
- Under this legislation, which countries will receive priority for EDA?

Answer: During this period of fiscal constraint and decreasing security assistance levels, prudent transfers of EDA on grant or low cost basis are a sensible, cost effective method to assist friends and allies meet their legitimate defense requirements. Because of DoD downsizing, substantial amounts of DoD equipment have become excess to DoD force requirements and thus available for relatively inexpensive sale or transfer to eligible countries. We continue to believe that

the excess defense article transfer (non-sale) program which will be authorized under this bill to replace the existing FAA authorities, makes a major contribution to our policy objectives.

A new format is being developed for the Congressional Presentation Document that will present figures on the value of articles actually grant transferred in addition to how many were sold under the Arms Export Control Act. Unfortunately, it is difficult for the military departments to project estimates for EDA over the next few years since articles can only be declared excess after they are found to be in excess of the Approved Force Acquisition Objective and Approved Force Retention Stock.

The rise in the volume of EDA is a temporary phenomena reflecting the increased availability of excess items caused by the current restructuring of U.S. military forces. We anticipate that the supply of items will decrease as the restructuring is completed and the reduced levels of equipment needed to support U.S. forces are reached. This is already happening with trucks, where some models have either been depleted or the remaining vehicles are in very poor condition.

While H.R. 3765 will neither basically alter the manner with which EDA is provided nor create a by-country priority, it establishes firm requirements that include:

- a separate justification during the fiscal year, for the recipient country to obtain such articles; and
- requirements that those articles be used for furthering the Hill's objectives set forth in the building democracy title or the promoting peace title.

We do not support further annual EDA limitations in the law. In a sense, EDA is self-limiting by our own military departments' needs and requirements, which determine availability; by the limited useful life remaining in most EDA; and by ancillary cost incurred by the recipient for such expenses as transportation, spares, handling and repairs. EDA transfers benefit the United States by contributing to the achievement of our national security goals and reducing the costs of otherwise disposing of such articles.

Question:V. SECURITY ASSISTANCE

Section 3 of the Arms Export Control Act contains the authorities through which the United States controls the retransfer of U.S. provided defense articles and services. Congress has supported these authorities because of a belief that such controls are both necessary and proper, and because of the view that we should be consulted and approve such matters.

- How precisely does the draft legislation affect section 3 of the Arms Export Control Act and controls on retransfers?
- What is the rationale for lowering the controls on the retransfer of U.S. defense articles and services?
- According to the GAO, the proposed changes to section 3 "take the heart and soul out of section 3(c) penalties and the intent of Congress to control U.S. weapons and equipment". How does Administration respond to this charge?
- Section 8405 contains a "notwithstanding" clause which appears to eliminate the requirement in current law restricting the retransfer of significant military equipment and lethal equipment as EDA. Please explain the rationale behind this apparent relaxation of retransfer restrictions?

Answer:

The draft bill, like current law found in section 3 of the AECA and section 505 of the FAA, provides that end use, retransfer and security assurances be secured from the recipient of defense articles or services made available under the Act. The bill contains a new provision, which currently only applies to military equipment commercially exported from

the U.S., authorizing retransfers of U.S.-origin components that are provided under the bill or sold by the USG under Section 3 of the Arms Export Control Act and that are incorporated into a foreign defense article without prior USG consent under the following conditions:

- the recipient is the government of a NATO country or the government of Australia or Japan;
- the U.S.-origin components are not significant military equipment, were not components for which notification to Congress was required by AECA section 36(b), and are not identified by regulation as Missile Technology Control Regime items; and
- the foreign country or persons transferring the items provide notification to the USG within thirty days following such transfers.

This new provision has led to some confusion and misinterpretation of the provision. The new provision simply provides advance consent to retransfers for certain, minor U.S.-origin components used in a foreign defense article for which the recipient is a NATO country, or the governments of

Australia or Japan. The authorization of consent in advance for a defined category of less significant equipment to a defined class of recipients does not constitute a lowering of controls on retransfers of U.S. defense articles and services.

This provision does not, as the GAO interpretation may suggest, dilute the violations section of the AECA. The GAO interpretation (which we have not seen) may not have realized that parts of Section 3(c) of the AECA were simply moved into the bill. For example, Section 8212(b) contains the provision currently in Section 3(c) terminating military assistance for substantive violations of end use, retransfer or security assurance agreements.

Like current law (e.g., Sections 516 and 519 of the FAA), section 8405 of the draft legislation authorizes transfers of U.S. excess defense articles (EDA), "notwithstanding any other provision of law." Under both current law and Section 8405 the "notwithstanding" clause has not been used, and will not be used, to waive the requirements that recipients provide end use, retransfer and security assurances with respect to EDA.

Question:V. SECURITY ASSISTANCE

The draft legislation proposes performance requirements only for development aid, not security aid.

- Why is security aid excluded from performance requirements?
- What are the criteria for measuring the success of security assistance programs and what kind of evaluation system is proposed for security aid?

Answer:

Under the bill, the analogue to current security assistance will be provided under titles II and III, under accounts for Countries in Transition and for Regional Peace and Security. This assistance, whether provided in the form of economic or military assistance will be provided to further the objectives of those titles, and purposes set forth in the relevant subchapter and chapter. Clearly, we should and will fund only programs which are making progress, or promise to make progress toward these objectives.

We do not believe the objectives of titles II and III -- in building democracy and promoting peace -- lend themselves however as readily as sustainable development to having their furtherance measured by concrete performance criteria. Thus

we have decided not to seek to establish discrete criteria, which might well be arbitrary given the multitude of factors that could bear on the progress a country has made toward peace or democracy. We fully intend, however, to monitor continuously an aid recipient's efforts to achieve democracy or peace, and to reassess the contribution U.S. assistance is making to enhancing the likelihood such efforts will be successful.

Question:V. SECURITY ASSISTANCE

The draft legislation provides at least six different drawdown authorities for disaster aid, narcotics, terrorism and crime, peacekeeping, refugee assistance, violations of international humanitarian law, and unforeseen emergencies. Why are there six different authorities with somewhat different conditions rather than having a single drawdown authority?

Answer:

In the draft bill, certain of the drawdown authorities (e.g., peacekeeping, and nonproliferation provide assistance that complement funding provided for peacekeeping and nonproliferation under the bill. Hence, these authorities were placed along side the authorities for peacekeeping and nonproliferation to give a fuller more transparent picture of the total available aid potentiality of these chapters. Several of the other drawdown authorities are consolidated in one authorization provision in current law (e.g., disaster, refugee, narcotics, military emergencies) and we keep these in a consolidated provision that conforms to the current law provision because we think current law works well. Conforming and consolidating all the authorities into one omnibus drawdown provision would be problematic since the standard for invoking the authorities varies between them in accordance with the differences in the circumstances which justify such assistance (e.g., interests more specific than national interests should be served in some cases, such as military assistance and violations of international humanitarian law.

PeacekeepingQuestion:

In title III of the bill, funds for peacekeeping are made available "notwithstanding any provisions of law that restrict assistance to foreign countries".

--Precisely what problems must be avoided through this broad notwithstanding waiver?

--Could a more narrowly drawn waiver address those problems?

Answer:

This clause was included to clarify current Executive Branch views that the provision of peacekeeping funds to support international peacekeeping activities is not precluded where members of international peacekeeping forces (e.g., UN-led forces) include armed forces from countries which are ineligible for U.S. assistance by reason of provisions of law restricting aid to foreign countries.

This is a very narrowly drawn "notwithstanding" authority, as is, applying only to legal restrictions on aid to countries (e.g., for default on US debts).

PeacekeepingQuestion:

While H.R. 3765 would authorize assessed peacekeeping funds in the foreign aid bill, the appropriations request will remain in the Commerce, Justice, State appropriation.

--Does not this approach undermine the intent of the rewrite to link peacekeeping and other objectives and programs in the bill?

What is the policy rationale for this distinction?

Answer:

The approach that we have taken does not undermine the intent of the FAA rewrite. One of our key goals is to create an up-to-date piece of basic legislation that includes in one place the basic authorities necessary to implement the nation's foreign policy priorities. This is a prime reason why the basic authorizations for supporting international peacekeeping through assessed and voluntary contributions is consolidated into one provision.

As this legislation was being developed, the Administration considered a variety of ancillary issues related to funding peacekeeping; one of these included shifting Congressional appropriations for State's UN peacekeeping assessed contributions from the Commerce, Justice, State appropriations subcommittee to the Foreign Operations appropriations subcommittee. In our consultations concerning this proposal we discovered that it raised many Congressional concerns. We took these into account.

The fact that we will continue to seek appropriations for Commerce, Justice, State does not argue against consolidating the assessed and voluntary contribution authorizations into one bill. This consolidation permits us, among other things, to provide logically for a transfer authority between the two accounts; regardless of where the funds are appropriated.

Our goal is to make sure US peacekeeping interests are advanced. And to that end, we wish to work with the Congress to serve U.S. interests.

Question:

H.R. 3765 retains the Pressler Amendment regarding nuclear proliferation in Pakistan. Does this mean the Administration believes the Pressler Amendment continues to advance U.S. nonproliferation and other interests?

Answer:

The Administration has decided to insert nonproliferation language, including that of the Pressler, Symington, Glenn, and Solarz Amendments, into the FAA rewrite exactly as it appears in current law.

Preventing the proliferation of weapons of mass destruction and their means of delivery is one of the Administration's highest foreign policy priorities. We pursue our nonproliferation policies globally, and they are not directed at any one country.

The same is true for all of the Administration's global foreign policy objectives. As a result, country specific references, including the Pressler Amendment, were not part of an initial discussion draft of the Foreign Assistance Act, which was shared with Congress.

When the discussion draft was submitted to Congress, the Department explained that the decision not to include the Pressler Amendment would not affect the Administration's global nonproliferation policy. The Department also stipulated clearly with regard to the discussion draft that it would continue to hold Pakistan to the Pressler standard as a matter of policy. However, the decision to not include the Pressler Amendment and to modify the waiver standards of the Symington, Glenn, and Solarz Amendments has been interpreted as a signal that the Administration would be less vigorous in applying its global nonproliferation policies.

To avoid this misimpression, we have submitted a proposed bill that includes the Pressler Amendment and includes the current law waiver standards for the Symington, Glenn, and Solarz Amendments. Our intention in doing so is to leave no doubt of the seriousness with which the Administration will pursue its nonproliferation policies in South Asia and in all other regions of the world.

Question:

Does Pakistan's nuclear program threaten peace and stability in South Asia more than India's?

Answer:

We are equally concerned by the efforts of both countries in the nuclear field. Each program is destabilizing to regional security.

Question:

If not, what is the policy rationale for holding Pakistan to a stricter standard of nuclear behavior than India?

Answer:

We do not hold Pakistan to a stricter standard than India. The destabilizing nature of each program is of great concern to us. Military and economic sanctions were imposed against Pakistan in 1979 in response to its violation of the 1976 Symington Amendment to the FAA, which addresses transfers of enrichment equipment. It was waived in 1981 and subsequent years, given Pakistan's role in assisting the Afghan struggle against the Soviet Union. The Symington Amendment is applicable to all non-nuclear weapons states, including India; India however has not taken actions which would trigger sanctions under the amendment. The 1985 Pressler amendment set further conditions under which extensive military and economic assistance to Pakistan could be continued. Since 1990, the President has been unable to certify that Pakistan meets those conditions, namely that it does not possess a nuclear device.

It should be noted that additional constraints, including the 1978 Nuclear Nonproliferation Act, result in neither India nor Pakistan being eligible for nuclear supply from the U.S.

Question:

If the Pressler Amendment remains U.S. law, what are the chances of Pakistan taking the steps necessary to once more qualify for a Pressler certification?

Answer:

We will continue to work with Pakistan to pursue step-by-step initiatives to cap, then reduce, and finally eliminate weapons of mass destruction and their means of delivery. We will continue to try to persuade Pakistan to take the steps that would permit the President to certify under the Pressler Amendment. Clearly our first objective must be to find ways to cap developments before they become more threatening. We have intensified our dialogue with on these issues and held bilateral talks last September. We believe a mix of bilateral and multilateral efforts, combining global strategies with a regional focus, backed up when necessary by unilateral actions, holds the best promise of achieving our nonproliferation goals.

Question:

Is it not at least as likely that Pakistan, cut off from U.S. assistance and military sales, will come to rely even more heavily on its nuclear program?

Answer:

We recognize that a key element of persuading countries not to develop weapons of mass destruction is to address their legitimate security concerns. We believe Pakistan's security would be enhanced if it took concrete steps to assure the international community and its neighbors that it would not acquire nuclear weapons. We will continue to engage Pakistan in a dialogue that emphasizes the destabilizing nature of its nuclear program and that its security would be better served by taking steps toward removing weapons of mass destruction from South Asia.

Question:

For a number of years, we have had a separate authorization for the Development Fund for Africa. This separate authorization reflected not only a policy to permit more flexibility in managing development assistance for Africa, but also gave recognition to the importance Congress gave to Africa's needs. Why haven't you included a separate authorization for the Development Fund for Africa in your legislative proposal?

Answer:

A fundamental premise of the Peace, Prosperity and Democracy Act is that funds should follow objectives and that programs should be gauged by results produced, not by resources allocated. Accordingly, Title I of the Administration's bill does not include a separate authorization for Africa or any other geographic region. The Administration does, however, remain firmly committed to African development and that commitment is reflected in the budget submission for FY 1995. As a further measure of our commitment to Africa, the Administration included a separate chapter on our special interests in Africa within the Sustainable Development title of the bill. Our forthcoming Congressional Presentation highlights the accomplishments of Africa. Critical to this was the conceptual framework of the Development Fund for Africa (DFA) allowed us to change the way we developed programs to ensure results were not only achieved, but also measured and reported.

Question:

I met recently with my old friend, Dr. Norman Borlaug, the father of the "green revolution" that facilitated the economic expansion in Asia. Dr. Borlaug was a colleague of mine on the Presidential Commission on Hunger in the 1970s and is a person I hold in high esteem. Let me share with you one of his concerns. Even though enhanced food security and sustainable improvement in agriculture is one of the elements of your broad-based economic growth objective under sustainable development, he is concerned that continued support for agricultural research may take a back seat to more fashionable categories of assistance. He pointed out that assistance for international centers has declined during the past 3 years from over \$40 million to \$25 million. He believes these reductions are short-sighted given the need for increased agricultural production in Africa. How do you respond to these concerns and how can you assure us your new foreign assistance charter won't short-change agricultural research?

Answer:

The U.S. Agency for International Development has experienced a sharp decline in funding resources for FY 1994. The development assistance fund has been reduced by approximately 23 percent since last year. Decreases of this magnitude impact all programs; it is virtually impossible to protect any program, and funding for the International Agriculture Research Centers (IARCs) is no exception.

We will be able to provide the International Centers \$28 Million in core funds this year, and an additional, as yet unspecified amount for specific Center activities. The numbers mentioned in your query reflect core budget funds, that is, funding passing directly to the IARCs. They do not reflect specific research projects funded with individual Centers by our regional bureaus and missions. This additional funding amounted to \$23 Million in FY 1993. Even in these hard times, the Agency continues to give high priority to agriculture research and has

developed a strategy to support the Centers through linkages with other on-going research activities, in particular the Collaborative Research Support Programs (CRSPs). By encouraging institutional linkages with other global research programs, the Agency hopes to be able to establish mutually beneficial programs which share both technical expertise and funds. While this is not a perfect solution, it is an interim solution which permits support of the Centers at a diminished, but reasonable, level that does not jeopardize the existence of the Centers.

Question:

It is not clear from your proposal what agency or departments will have the primary responsibility for implementing your different titles? I would assume AID would be responsible for Title I, but what about programs authorized under Titles II through V?

Answer:

The Secretary of State has primary responsibility for formulation of policy pertaining to the different titles of the Act. Implementation of programs chartered by the Act will be linked closely with this policy.

Program implementation responsibility will continue to rest with the respective international affairs agency for which funds are requested under the FY 1995 budget.

While most programs chartered under Title I are managed by USAID, other international and bilateral U.S. agencies such as the UN specialized agencies and the U.S. Peace Corps, also implement programs under Title I. In the case of U.S. contributions to the Multilateral Development Banks (MDBs), the Treasury Department as well as the State Department provide policy input for the programs implemented by the MDBs.

Programs linked to Titles II through V also will be the responsibility of international affairs agencies which requested funds for those programs under the corresponding title of the FY 1995 International Affairs request.

Question:

Under your proposal, OPIC and the TDA are under the foreign policy guidance of the Secretary of State. Does this mean that the Trade Policy Coordinating Committee has no role in coordinating their activities with those of other trade-related agencies? Why do you make no reference to the TPCC in light of its supposedly central role in our trade and investment policies?

Answer:

The relationship of OPIC and TDA to the Department in terms of the foreign policy guidance of the Secretary in no way affects the activities of the Trade Promotion (not Policy) Coordinating Committee (TPCC). The Department participates fully and actively in the TPCC together with OPIC, TDA and the other TPCC member agencies in coordinating the trade promotion activities of the Federal Government.

The focus of the TPCC is on trade promotion, as distinct from trade and investment policy. Clearly promotion and policy are closely related; however, trade and investment policies are primarily formulated in the National Economic Council (NEC) and its sub-groups.

Question:

The Statement of Policy refers to the importance of trade, and the need to advance U.S. economic interests and to expand markets around the world, yet your Administration has terminated nearly all the AID private sector programs. Many international trade conferences and activities have historically been funded in whole or in part by USAID, but you have evidently decided to close off these funding spigots and those related to capital projects as well. Have you consulted with the U.S. business community in drafting this legislation. Do any business groups support this legislation?

Answer:

One of the key objectives of this legislation is to more sharply focus the goals and objectives of our foreign assistance program. As part of this effort, USAID will be rationalizing its role in export promotion -- looking to other U.S. departments and agencies, such as Commerce, to carry out direct export promotion functions. USAID will continue to play an active role in building new markets for the United States around the world through our sustainable development programs, and in this way contribute to long-term market development. We are coordinating these efforts through the inter-agency Trade Promotion Coordinating Committee (TPCC) which has been in close touch with the U.S. business community.

Question:

Following the Earth Summit at Rio de Janeiro, there is increasing evidence that major donor nations including Japan, Germany, France and other European countries are increasingly focusing their foreign aid programs on the provision of environmental assistance, and in most instances these donors are tying their assistance to the follow-on purchase of their environmental goods and technologies by the recipient country. How does this legislation address this issue and what is the Administration's strategy on promoting the export of environmental technology to promote sustainable development?

Answer:

Title V of the reform legislation seeks to promote American prosperity through greater trade and investment opportunities abroad. Specifically, the programs of the Overseas Private Insurance Corporation, the Trade and Development Agency and the Export-Import Bank are designed to assist U.S. businesses take advantage of trade and investment opportunities, including in the environmental sector.

Although the legislation does not directly address the tied aid practices of other nations, President Clinton has supported the creation of a capital projects tied aid fund at the Export-Import Bank. This fund will be used to counter a foreign aid donor's use of trade-distorting credits which threaten to disadvantage U.S. companies. The Administration is also working through the OECD to monitor and challenge tied aid practices of other donors.

USAID's sustainable development programs -- while not focussed directly on export promotion -- nonetheless do generate exports of U.S. environmental technology, directly through

program activities and indirectly by building local demand for environmental goods and services. The Clinton Administration is actively pursuing the promotion of U.S. environmental exports through the Environmental Trade Working Group of the TPCC and other fora. USAID is a full participant in this process.

Question:

It is not clear to me how programs to promote democracy under your legislative proposal differ from programs currently operating under funding from the National Endowment for Democracy. I know that AID has funded some programs for the institutes created by NED, but your proposal appears to move AID further into this area. Am I correct that there is duplication? If so, are you proposing a diminished role for NED?

Answer:

Title I of the proposed bill authorizes democracy programs funded by USAID for the purpose of strengthening democratic institutions and fostering political pluralism in the specific context of implementing an overall development package in countries where we are working. Title II authorizes democracy programs in countries that are not eligible for sustainable development support either because they are at too advanced a stage of economic development or because the government's overall performance record makes them an inappropriate development partner. USAID will also undertake political institution building activities in countries emerging from a protracted conflict or humanitarian crisis.

By contrast, NED is particularly active in countries where USAID has no presence and where it is difficult for the US government to directly fund nongovernmental activities. NED's role under the new bill will in no way be diminished, but the establishment of an Inter-Agency Working on Democracy will ensure better coordination of all US government democracy programs, including those funded by NED.

USAID funding to the institutes that receive NED core funding is designed to support political development activities

in countries where USAID is operating and as part of USAID's sustainable development efforts. The institutes use their NED funding for other purposes, particularly in situations where democratic activists require support and direct US funding is prohibited by law or is politically inappropriate.

Question:

Last year, this committee included authorization for the Camp David Accord in our authorization bill, H.R. 2404. Why haven't you included it in your legislative proposal?

Answer:

As a general rule, the Peace, Prosperity and Democracy Act sought to eliminate country and region specific funding authorizations. Thus, authorization for funding for the Camp David Accords is not included as such. This change was intended to focus attention on the foreign policy objectives our assistance programs are designed to achieve rather than on the regions or countries to which it is directed. This does not signal any change, however, in our commitment to continue to support the search for peace in the Middle East.

The Administration intends to fund programs to support the Camp David Accords, as well as the recent Declaration of Principles agreed by Israel and the PLO, under Chapter 3 of Title III of the new Act. That chapter authorizes economic and military assistance to promote the process of resolving conflict in the Middle East. The President's FY 1995 Budget includes continued funding for Israel and Egypt at current levels as well as increased funding to promote economic growth in the West Bank and Gaza.

Question:

I understand the reinventing of USAID is part of the Vice President's National Performance Review. Part of the actions you have already announced involves the closing of 21 foreign missions and offices. In at least 2 countries, Thailand and Costa Rica, you are shifting to a foundation approach for administering whatever program will remain. Has any consideration been given to operating programs under your sustainable development title following a similar approach?

Answer:

As you know, the Wharton Task Force considered a number of structural options for USAID. One of those options was a smaller successor agency to operate sustainable development programs primarily through non-governmental organizations and grantees. This option was rejected in favor of a single national development agency for a number of reasons. One of the most important considerations was the fact that our foreign assistance programs are clearly linked to our foreign policy goals and bilateral relationships. It was concluded that an independent foundation would eliminate or blur that role. Another consideration was the fact that our assistance programs work both with governments and non-governmental organizations. Foundations are not effective structures to work with governments to influence their policies.

As you say, I have offered USAID as a "laboratory" for the National Performance Review exercise. We are therefore embarking on a wide-ranging review -- "reengineering" -- of how the Agency can improve its delivery of economic assistance. This effort, which has really just begun, will be looking at a variety of delivery mechanisms for both our bilateral and global programs.

In determining the best model in a given country, the foundation approach would certainly be one of the options we will consider. This approach might be appropriate if we are disengaging from a bilateral assistance relationship, but want to remain engaged on issues of global concern, such as protecting the environment.

I would like to clarify the status of Thailand and Costa Rica. Both are included among the 21 bilateral programs to be closed. I want to minimize the number and type of USAID-financed activities that will continue in these countries subsequent to close out. For Thailand, USAID has recently begun a "partnership" activity as one means of transiting from a traditional donor-recipient relationship to a development partnership. As originally designed, USAID's contribution to the partnership was to last for five years. In the light of close-out, I would like to see what can be accomplished in a shorter time frame. There are no plans for a USAID-financed "foundation," as I understand the term.

Likewise, there are no plans for a foundation in Costa Rica. Funding cuts plus my desire to focus USAID programs in core sustainable development countries make such an approach improbable.

Question:

I presume cost-savings were considered when developing your reform proposal. Can you share with the Committee what savings you hope to achieve under this proposal and what cost-savings proposals were rejected in your considerations?

Answer:

The Peace, Prosperity and Democracy Act (PPDA) is a long-overdue updating of foreign policy objectives in the post-Cold War era. We did not consider cost savings proposals in drafting the PPDA, per se.

But because the PPDA provides a clearer statement of what we are trying to achieve, it will enable us to allocate and utilize resources more effectively and efficiently, and better tie these resources to our foreign policy objectives.

Cost-savings are being achieved through the implementation of reform measures by the various international affairs agencies, including the State Department and USAID, in conjunction with the Vice President's National Performance Review (NPR) process.

Question:

USAID has been the subject of numerous reviews during the past several years. All agree that our current foreign assistance program needs overhaul and some suggest USAID's elimination altogether. Several have proposed merging USAID into the Department of State to unify our foreign assistance with our foreign policy administration. Your own proposal includes a recognition of the role of the Secretary of State in coordinating our foreign assistance policy. Why shouldn't USAID be merged into the department?

Answer:

The Clinton Administration has undertaken a comprehensive review of USAID, resulting in wide-ranging reforms in policy, personnel and procurement. While the Administration's bill makes clear that the Secretary of State shall direct and coordinate the entire spectrum of foreign policy and assistance tools of the U.S. Government, it also recognizes USAID as a statutory agency of the federal government. The missions of the State Department and USAID are related but distinct, and the Administration accordingly has decided to retain USAID as a separate agency focussed on sustainable development and humanitarian relief missions.

Question:

No other nation maintains the field structure that USAID does in providing development assistance. Some would argue that the benefit of our presence is no longer as great, especially since developing countries now have more sophisticated institutions. Does it make sense for us to continue the USAID in country presence model or is it time to shift to a foundation model?

Answer:

I strongly support maintaining a field-based presence in our core sustainable development countries. This is a proven approach to ensuring effective oversight and true participatory development. However, I am also open to looking at different approaches for delivering economic assistance. This will be done in the context of the National Performance Review's "reengineering" exercise.

Question:

As you know, I have had a long and abiding interest in the issue of hunger and food security. How does the Administration's bill deal with these two critical issues? More specifically, how does this bill achieve greater integration of technical assistance, food aid, and development assistance funding in addressing poverty alleviation and food insecurity problems?

Answer:

As indicated by the question, the problems of hunger, food security, and poverty alleviation are so closely intertwined as to be nearly inseparable. These problems are dealt with in an integrated fashion in the Sustainable Development portion of the Administration's proposal (Title I), which includes Development Assistance; the Development Fund for Africa; and P.L. 480 Title III and non-emergency Title II. The unifying and integrating theme throughout is sustainable development, which we define to encompass concerns with poverty, hunger, and food security.

The statement of policy for Chapter 1 ("Sustainable Development Authorities") emphasizes that United States support must "be targeted on broad-based, economic growth that reduces hunger and poverty..." Later passages explain that broad-based economic growth permits countries to "reduce the incidence of poverty" and "promote food security and nutritional well-being." The bill also points out that broadly-based sustainable growth requires inter alia market strengthening policies that raise real

incomes for poor people, enhanced food security, and measures to ensure that the poor have access to productive resources.

The statement of policy for Chapter 2 ("Development Fund for Africa") applies these principals to the Africa region, emphasizing the need for equitable economic growth that will enhance the lives of the poor majority of Africans.

Chapter 3 ("Role of Related Programs") deals through hortatory provisions in part with P.L. 480 Title III and non-emergency Title II. The focus for non-emergency Title II is on "supporting the efforts of poor countries to meet their need for additional food resources while at the same time promoting the long-term sustainable development efforts of these countries." P.L. 480 Title III resources are to be focused on "least developed, food deficit countries with high levels of malnutrition that have long-term plans for broad-based equitable and sustainable development.."

By emphasizing in these chapters a common, coherent set of objectives that encompass concerns with poverty, hunger, and food security, the bill aims to achieve a greater integration of technical assistance, food aid, and development assistance.

Other forms of food aid are dealt with in other titles of the bill. Title IV ("Providing Humanitarian Assistance") governs use of Emergency Food Aid, as well as disaster assistance and refugee assistance. Chapter 3 points out that emergency food aid "is often provided in conjunction with other chapters of this title to provide a comprehensive program of relief for those less fortunate than we who are refugees or other victims of forced

migration, or are suffering the consequences of natural or man-made disasters." Thus, the integration here is with other forms of humanitarian assistance aimed at near-term relief of hunger and suffering.

Title V ("Promoting Growth Through Trade and Investment") pertains to OPIC, the Trade and Development Agency, and PL-480 Title I. The policy statement for Title I emphasizes the role of Title I in "using the abundant agricultural productivity of the United States to enhance the food security of developing countries," complementing other U.S. international programs to "help to combat world hunger and malnutrition and their causes" and to "promote broad-based, equitable, and sustainable development."

Here, while there is little in the way of explicit integration, it is still expected that Title I will play a complementary role.

Question:

How do you perceive the role of the private sector with respect to the nutrition and food security objectives of the bill? We know a number of examples where collaboration between the private sector, NGOs, and USAID has resulted in increasing the nutritional value, quality, and safety of local foods. Will programs supportive of private sector development to enhance indigenous food and nutrition be an area you continue to support within USAID?

Answer:

U.S. private sector is an important partner in USAID's efforts to improve food security and nutritional status in developing countries.

The technical expertise of agribusiness is invaluable in helping to improve nutrition and food security through the introduction of efficient and safe food processing and preservation techniques to better conserve micronutrients. At the local level, this can involve the production of highly nutritious blended indigenous foods; at the national level, this may involve the fortification of a staple food with micronutrients.

U.S. private agribusinesses are a primary source of technical assistance to help improve food security through increased crop yields, soil fertility enhancement, soil and water conservation, and improved irrigation. Their expertise is also helpful in improving food safety and reducing post harvest food losses through improved food handling, packaging, storage, preservation, transport and distribution.

Support of the U.S. private agribusiness sector is, and will continue to be, a USAID priority in addressing food security and

nutritional issues. Two examples of current collaboration are:

- A project under which short-term technical assistance and training opportunities are offered for developing country food industry personnel. By helping to adapt low-cost and safe extrusion cooking technology to developing countries through this project, local production of fortified soy-cereal combinations can take place. In Sri Lanka, such a product has been manufactured and is now used by the government in its food distribution programs in lieu of donor food programs and imports.
- A field-driven research and partnership with the private sector which is enabling six Latin American countries to fortify sugar with vitamin A, as a means to control vitamin A deficiency in vulnerable populations.

Question:

How can U.S. agribusiness help achieve nutrition and food security objectives? For instance, we know a number of examples where collaboration between the private sector, NGOs, and USAID has resulted in increasing the nutritional value, quality, and safety of local foods and the promotion of sound environmental practices among food industries. Will programs supportive of private sector development to enhance food preservation, food safety, and nutrition be an area you continue to support within AID ?

Answer:

U.S. agribusiness is an important partner in USAID's efforts to improve food security and nutritional status in developing countries.

The technical expertise of agribusiness is invaluable in helping to improve nutrition and food security through the introduction of efficient and safe food processing and preservation techniques to better conserve micronutrients. At the local level, this can involve the production of highly nutritious blended indigenous foods; at the national level, this may involve the fortification of a staple food with micronutrients.

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- A field-driven research and partnership with the private sector which is enabling six Latin American countries to fortify sugar with vitamin A, as a means to control vitamin A deficiency in vulnerable populations.

APPENDIX 2

WEDNESDAY, FEBRUARY 9, 1994

STATEMENT OF THE HONORABLE HARRY JOHNSTON

I am very disturbed that the legislation the Administration has presented does not retain a separate authorization for the Development Fund for Africa. I don't need to tell our expert witnesses about the success of the DFA, or about the need in Africa. Africa is the poorest continent on the earth, and the only continent in which a real dynamic toward growth and development has yet to emerge.

When the Congress created the Development Fund for Africa a little over 5 years ago, it did so out of the specific recognition that Africa's very special development needs demanded a protected funding base within the foreign assistance program. Important constituencies strongly supported the DFA then and continue to support it now. Both politically and substantively, I fear the Administration made a mistake by not including the DFA.

I know the other members of the Committee, including our distinguished Chairmaan and Ranking Minority Member, have actively supported the DFA and share my concerns over the failure of the Administration to include a separate DFA authorization in the aid reform bill.

I invite our witnesses to comment on the Administration's omission of the DFA.

STATEMENT OF ANDREW MAGUIRE, PRESIDENT, ATI

Thank you Chairman Hamilton and Members of the Committee for this chance to participate in your foreign aid reform round table today.

The President's State of the Union message opened with a tribute to "ordinary people" and the "extraordinary things" they do, given the opportunity.

The same is true if we consider the state of our world. There is no greater force for progress — for peace, democracy, and sustainable development — than ordinary people striving for a better future.

Sixteen thousand feet up in the Bolivian Andes, alpaca ranchers are refining their fiber production and processing to target clothing manufacturers in Europe. And this value-adding emphasis holds similar promise for shepherds from Guatemala to Nepal.

Across wide stretches of Africa, families are starting new businesses and building a new rural industry by investing their savings in a simple technology that enables them to process sunflower and other oilseeds and bring critically needed jobs, income, and cooking oil to their home communities. Hundreds of thousands of dairy producers in India, most of whom are woman, are embarking on a initiative to significantly raise the milk production of their cows while cutting back on methane, a major contributor to global warming.

Mr. Chairman: small farmers and business people like these are raising most of the planet's next generation. They account for most of the jobs. They manage most of the earth's natural resources. They are civil society. They make decisions and exercise liberties in the name of families, communities, home lands, and nations. They are development's most dependable engine and — as Thomas Jefferson observed — democracy's yeoman. The right kind of opportunities for them means a better world for us all. Higher productivity, better markets, fairer trade, less poverty-driven environmental devastation. Fewer refugees from failing economies and ecosystems. These things are in every American's interest.

Yet, for decades, the world's major aid programs — including our own — have failed to reach small producers effectively and at significant scale, if they have tried at all.

Conventional development programs emphasizing large-scale infrastructure and capital-intensive factories and farms have not alleviated poverty. Why? Because the assumed trickle-down benefits rarely do. Top-down environmental protection schemes are similarly doomed, without the input and participation of the local people most central their success.

The brand of foreign aid reform in America's interest, and the world's will (1) target, not the political elites, but the practical millions who will make development sustainable, or not; and (2) promote the market-based good business sense the U.S. has done most to foster.

As Administrator Atwood's reforms indicate, development assistance is no longer cost-effective on a country by country basis. Global initiatives for economic development and environmental protection must be launched, with a good share of the funds coming from other donors — public and private — convinced on the merits. A strategic approach to the needs and potential of millions of small producers is just such an initiative.

Such an initiative is not only desirable but also possible, as ATI's programs have proven, because, from one country and continent to the next, small producers are concentrated in a limited number of key economic activities — producing cooking oil, dairy products, fruits and vegetables for the market, animal fiber, textiles, processing tree crops like coffee and coconuts. And they are linked, from one country and continent to the next, by very similar value-added chains, a comparable set of market restraints, and production bottlenecks that require access to the same families of hard and soft technologies.

With its sights on sustainable livelihoods for the world's low-income majority, this Committee can pass a bill that puts "people first" at home and abroad and thereby passes muster with the American people. By making it possible for ordinary people to do extraordinary things, a global small producer initiative is the cheapest and best investment our country can make. Thank you.

**Testimony of Julia Taft, President
InterAction**

**Before the House Committee on Foreign Affairs
February 9, 1994**

Mr. Chairman and members of the Committee, thank you for asking me here to represent InterAction. I am the President of InterAction, a coalition of 153 U.S.-based international relief, development, environmental, population, refugee, and advocacy agencies dedicated to humanitarian assistance and sustainable development.

Our 153 members represent millions of Americans who show their support for international sustainable development and humanitarian assistance activities in a direct and compelling manner: they donate their hard-earned dollars to support our organizations and their volunteer their time and talents. This is a tribute to the generosity of Americans, and their recognition of the continuing importance of the work done by our members around the world.

Many have suggested that Americans are in an isolationist mood, pulling back from the rest of the world. We do not share this view. Recent polling data shows that—by a 4-1 margin—Americans understand that we must remain engaged with the rest of the world.

We agree with the Clinton Administration that foreign assistance remains in the U.S. national interest in this post-Cold War world. We agree with the Secretary of State's recent statement: "At stake is the quality of life of future generations, both at home and abroad."

Whether the issue is urgent humanitarian response to victims of natural or—more often—manmade disaster; crises of refugees and displaced people; continuing our investments in child survival, women's health, education, microenterprise credit, nutrition programs, sustainable agriculture, and other development programs; or responding to the global agenda of environmental and population challenges, the United States has an unassailable interest in working towards a stable, sustainable world of healthy, well-educated people, living in democratic societies, fully able to engage in the "pursuit of happiness."

We endorsed the need for comprehensive foreign assistance reform in December 1992 when we stated that "a rewrite is needed to restore the credibility of US bilateral assistance by giving a renewed sense of mission to US development efforts." The enactment of new foreign assistance legislation will provide a clear, focussed mission for the Agency for International Development: the promotion of sustainable development and provision of humanitarian assistance in response to disasters. This twin focus was lost as foreign assistance legislation became increasingly encumbered. This clarified mission will help the present AID Administrator and his strong team in the critical effort to reinvigorate the demoralized personnel of AID.

Beginning in November 1993, InterAction coordinated the preparation of a series of comments from nongovernmental organizations on the Administration's foreign aid reform discussion draft of November 22, 1993. Some of the groups are members of our coalition, others are not; all participated in a process led by InterAction's Advocacy Subcommittee which produced a lengthy and detailed review document.

Our final document was provided to Administration officials, your staff, and many others on Capitol Hill. The Clinton Administration proved itself open to our comments; many were incorporated into the final text of H.R. 3765, particularly our comments related to Title I. We appreciate that consideration, and the efforts of the Administration to keep us fully informed during the process. We believe the proposed legislation provides a solid, constructive foundation for genuine foreign aid reform.

The remainder of my statement is devoted to suggestions for improvements in H.R. 3765.

H.R. 3765

We are particularly pleased by improvements made in Title I, Sustainable Development. We are pleased with the decision to protect funds allocated for Title I from transfers to other accounts. We appreciate the recognition that sustainable development programs must address not only population growth and environmental degradation but also hunger and poverty. We are pleased to see language recognizing the central role that NGOs play in the design and implementation of sustainable development programs. We are delighted that the concepts of participation and sustainability originally enshrined in the Development Fund for Africa will be integrated throughout the Sustainable Development section. We are pleased that H.R. 3765 includes strong language relating to PVO's particularly in Section 1103, "Voluntary Cooperation in Development."

Opening Policy Statement

The opening policy statement in the draft bill lacked a sense of vision for foreign aid in a new era of challenge for the United States and the world. The redrafted policy language is much improved, but continues to feature United States self interest without much emphasis on the role the United States should play as a world leader to address transnational problems and to assist nations to alleviate absolute poverty and hunger within their borders.

Title I—Sustainable Development

The Sustainable Development section has been much improved from the November draft. For instance, the bill now recognizes the link between poverty and global problems, and acknowledges more clearly the importance of grassroots participation in successful projects. In our comments, we suggested that this section also highlight the specific activities, such as primary health care, education, nutrition, food security, and sustainable agriculture, that would be considered part of a sustainable development agenda. We hope that the final legislation will more clearly delineate such specific activities, especially since the United States has participated in United Nations conferences on such issues as nutrition, children, and the environment.

Ensure that Sustainable Development Goals and Standards are Consistent Throughout the Legislation

We are concerned that sustainable development objectives, which were developed and refined over many years of experience by AID and the NGO community, which were adopted because they are effective, will be isolated in this bill in Title I. We urge Congress to adopt sustainable development objectives where appropriate throughout the bill, especially in areas where they are an obvious fit, such as the SEED program for Eastern Europe and support for the Newly Independent States in Title II. U.S. assistance to these countries will last longer and be more productive in the long run if sustainable development principles are adopted in their implementation. Therefore, all sections of the bill, including trade and export promotion programs in Title V, should support, or at the very least not undermine, sustainable development objectives.

The evaluation and accountability procedures for programs in Title I should be expanded to cover the entire bill, including environmental impact assessments (with the exception of disaster assistance).

The international financial institutions (IFIs) have been reluctant to recognize that some of their programs have had a deleterious effect on people in many countries undergoing classical economic reform. Moreover, despite much dialogue by Congress, other governments and the NGO community, they have been very slow to improve efforts at consultation and participation at the local level and reluctant to improve transparency in their programming.

However, I would like to commend the World Bank for hosting the World Bank Conference on Overcoming Global Hunger late last year that included a frank exchange of views between the NGOs and the Bank. We hope that this communication and willingness to work together will continue in the future with all of these financial institutions.

The language in Title I referring to the IFIs has been strengthened to encourage those institutions to adopt improved policies. The bill also indicates that the programs implemented by the IFIs should reinforce the goals of United States development programs. We recommend that the Congress press these principles with the IFIs and develop enforcement mechanisms to carry out this important goal.

Authorize a separate Development Fund for Africa

The proposed legislation successfully replicates the language, which our community strongly supported, of the original Development Fund for Africa (DFA). However, it falls short in its failure to authorize a separate fund for Africa. InterAction supports a separate authorization for the DFA. The severe poverty in many African countries requires a long-term commitment dedicated to the principles of sustainable development. Historically, the United States has demonstrated this commitment to Africa, and our community believes this should continue to be a cornerstone of our foreign aid program. In addition, we recommend minor changes to language to recognize the needs of countries that are recovering from conflict which resulted in massive population displacement and refugee flight.

Incorporate a Fund for Microenterprise Development

We commend the leadership of AID for featuring microenterprise prominently in its new strategic direction for economic growth. In order for this valuable initiative to succeed, we recommend the adoption of the provisions of H.R. 2404 to create a centrally-managed microenterprise fund within AID. These provisions were drafted by your Committee in consultation with 25 of the leading PVOs in the field of microenterprise who collectively reach over 4 million borrowers. These implementing agencies have recommended the creation of a central fund as a means to help AID channel its resources to the poor and women more effectively through grassroots organizations.

InterAction recommends that the central fund be included in H.R. 3765. Please note that this is not a recommendation for an earmark in the bill, only that funds dedicated to microenterprise within AID be managed in a manner that would expedite their use for loans targeted at the very poor and women.

Title II—Building Democracy

Distinguish Between Democratizing Countries and Those Emerging from Conflict

The Building Democracy Title requires continued refinement. While it has been improved, it still fails to distinguish clearly between two very different types of situations: countries making the transition from communist societies to democracies and free market economies, and countries emerging from armed conflict. It fails to emphasize, in particular, the needs of countries emerging from conflict; these needs include de-mining and the reintegration of the military into peaceful society.

Bridge the Gap between Disaster Assistance and Sustainable Development in the CIT

InterAction recommends including language which relates the work of the Countries in Transition (CIT) program to both disaster assistance and sustainable development. Since this initiative is designed to bridge the gap which currently exist between these two areas, the authorizing legislation should recognize those linkages. In addition, the language authorizing the expenditure of funds for reconstruction may be more appropriate if placed in Title II. This would help to ensure that scarce funds for emergencies would not be diverted to the Transition initiative.

Title IV—Providing Humanitarian Assistance

Maintain Current Law Regarding Refugee Assistance

With regard to refugee assistance, sections 4101 and 4102 authorize activities and funding for assistance programs for refugees and displaced persons outside the United States, including those who will be admitted to the U.S.

As you know, InterAction and its member agencies have long supported such programs and continue to view them as essential to the humanitarian and foreign policy interests of the United States. We are concerned, however, that in repealing the Migration and Refugee Assistance Act of 1962 and replacing it with a new authorization in this bill, you are fixing something that is not broken. While we support the concept of overhauling the Foreign Assistance Act of 1961, we believe that the authorization of refugee assistance programs requires no change from the status quo. The long-standing and effective programs implemented by NGOs and the State Department's Bureau for Refugee Programs would not be served by a change in this regard.

The Bureau for Refugee Programs has provided excellent oversight and administration of these activities, ensuring that the human rights focus of refugee assistance is maintained. For that reason, we urge you to refrain from repealing the 1962 Act and to remove section 4102 from this bill. In addition, we suggest limiting section 4101 to a brief statement of findings regarding the continuing need for overseas refugee assistance. InterAction stands ready to work with you and your staff in the development of such language.

Strengthen the Language on the Role of PVOs in Humanitarian Assistance

Section 4001, the overall statement of Policy under Title IV should include explicit reference to the role of private voluntary organizations that implement many of the programs under this title. While PVOs are mentioned later under disaster assistance, the opening statement refers only to bilateral and multilateral programs. Section 4301, "Emergency Food Assistance" also fails to mention PVOs, although they in fact play a major, if not dominant role in this assistance. Millions of Americans donate private funds to PVOs to implement these humanitarian programs. Their generosity and efforts should be recognized more explicitly in this section.

Include a Statement of Humanitarian Principles to Govern Such Assistance

Additionally, Section 4001 should include a statement of humanitarian principles, such as the principle of impartiality, which would guide the allocation of humanitarian assistance funds and the implementation of humanitarian assistance programs.

Other Crosscutting Issues

Strengthen Congressional Oversight and Accountability

The administration has made an effort to limit the many mechanisms in the draft to give the President as much flexibility as possible to carry out foreign assistance policy, including transfer and waiver authorities. While we recognize the need for some Presidential flexibility in order to provide balance, we recommend that Congress strengthen provisions for oversight and accountability in this regard.

We recognize the efforts the administration has made to require the separate authorization and appropriation of funds for activities administered by the Department of Defense. This provision appears to alleviate our concerns regarding the fungibility of military and development assistance, as does the "fencing off" of development assistance.

Ensure that AID Preserve its Mandate without Undue Interference from the Department of State

While we appreciate the positive working relationship between the Department of State and AID under the current administration, we continue to be concerned that, insofar as possible, legislation ensure that AID is able to focus on its long-term programs without undue interference from the political concerns of the Department of State. Legislation should give the AID Administrator clear control over the design, implementation, and allocations for sustainable development programs under Title I, as well as the chapters of Titles II and IV for which it is determined to be responsible.

Strengthen the Human Rights Provisions

Human rights are an essential component of an effective and just foreign assistance package. They are as central to building democracies and promoting broad based development as any other issue highlighted in the legislation. We recommend that your Committee strengthen the language relating to human rights and consult with NGOs that have expertise in this area. One area of particular concern to our community is positive certification of human rights prior to sale of military items and women's rights as human rights.

Furthermore, the building democracy title misses the opportunity to establish the clear goals of the police training program. Since the program is a particularly sensitive area of foreign assistance, incorporating concerns regarding human rights is essential. The police training language presents an opportunity to emphasize clearly spelled out goals for these types of programs, such as fostering respect for human rights and democratic governance.

We commend the Department of State for its focus on human rights abuses against women in its just-published human rights report.

We urge the elimination of section 7209(b), which would allow the participation of military personnel in development-related activities.

Mr. Chairman, thank you again for this opportunity to comment on the foreign assistance reform legislation before you.

NATIONAL PEACE CORPS ASSOCIATION

formerly National Council of Returned Peace Corps Volunteers

Statement of the National Peace Corps Association Submitted to the U.S. House of Representatives Committee on Foreign Affairs February 9, 1994

Good morning Chairman Hamilton, distinguished members of the Committee and distinguished panel members. My name is Cheryl Bartz, and I am Director of the Constituency for Sustainable Development, the advocacy network of the National Peace Corps Association. Charles Dambach, our CEO, would have been here this morning, but he is *still* giving and volunteering: two weeks ago, he donated one of his kidneys to his son, and he is still recuperating. We appreciate the opportunity to participate in this roundtable on the reform of U.S. foreign assistance activities.

Some of you may not be familiar with the National Peace Corps Association and what we bring to this discussion. Perhaps uniquely among this distinguished panel, I and the people I represent have lived at the village level in nearly 100 countries. There are now nearly 140,000 of us who have served as Peace Corps volunteers. Our friends and neighbors in those countries where we served are the intended recipients of U.S. foreign aid.

As Peace Corps volunteers we have seen poverty and injustice, and that experience gives us a strong desire to help make a difference in U.S. foreign assistance policy. Because of that, our members asked us to help them become advocates for their friends abroad.

To do that, we have formed the Constituency for Sustainable Development. Those who become members pledge to call or write their Members of Congress and educate others about sustainable development issues. You may have heard from some of them in your districts over the last year. You will no doubt hear from more of them during 1994.

Those, then, are the two characteristics that our membership brings to this table: personal experience at the grass roots level in developing countries and commitment to work with the political system in the United States to try and achieve change.

You, the Members of the U.S. Congress, have sent nearly 140,000 of us to developing countries with three goals: to provide technical assistance, to educate people of other countries about Americans, and to educate Americans about other countries.

One of the messages we bring back—the message we bring to you today—is that the U.S. needs a foreign assistance program, but it must be different from the one we have had in the past.

As Peace Corps volunteers, our views on foreign assistance are grounded in personal experience. We can't talk to you about concepts without telling you about the people we know—people we lived with, worked with, ate with. There are reams of reports with statistics about development and income levels and mortality rates. As returned Peace Corps volunteers, our message to you is, we are talking about people—people we know, who need your help.

Why do we believe that foreign assistance is in the U.S. national interest?

Peace is in the U.S. interest. In a peaceful world, free trade can flourish and U.S. resources and lives will not be required to impose peace on regional and civil wars.

A woman I met in Honduras captures for me why foreign assistance is necessary. I accompanied a team that was surveying people who lived in and on the fringes of a new National Park in Honduras. The settlement of six houses was a two-hour walk from the nearest bus line. We stopped to talk with this woman sitting in her yard sewing a patch on a pair of men's pants which already was a collection of patches. She told us she and her husband and six children lived there.

The house was about ten feet square, with walls of corrugated paper and plastic sheeting. Clearly, the makeshift walls could not keep out the torrential downpours of the rainy season.

Three of her children were playing in the yard, skin and bones with sores on their legs.

The woman said she had moved to that area with her parents when she was a child, because there was land to cultivate. There was no school for her, and there is none for her children. She thought she was about 35 years old, but she wasn't sure.

There is no electricity, and they have no radio. Her husband and the oldest son were off looking for work—the two-hour walk, plus a bus ride. If he was lucky, her husband would get work and make about 18 cents a day.

We offered this woman nothing. We only asked questions. But when we left, she insisted that each of us take two bananas.

This woman is truly living on the edge. The land is not theirs. She and her husband have no education, nor any prospect of education for their children.

The U.S. invested heavily in defeating communism. One form that investment took was support for friendly governments, regardless of their human rights record, in the hope that having a "friend" in power would mean stability. Experience in country after country has shown that path does not lead to stability. Desperate people become revolutionaries. They have nothing to lose.

To truly create stability, we must build on our past investment. Now we must help people have access to economic opportunity—all of the people, not just the elites.

Foreign assistance not just a luxury, it is a necessity. And we *can* afford a foreign assistance program.

Time and again, Peace Corps volunteers have experienced that people, like the Honduran woman, who have next to nothing, still share what little they have.

We—the richest, most powerful nation—cannot afford not to have a foreign assistance program. It is in our own interests.

Foreign aid aimed at sustainable development can be an important tool to create social—and political—stability.

The foreign assistance program needs to be changed.

The Choluteca River runs through the heart of Tegucigalpa, the capital of Honduras. It is the most polluted river I have ever seen, more disgusting by far than any body of water I ever saw in 10 years of working in environmental protection in Michigan, one of our most industrialized states.

My hotel in Tegucigalpa was next to the Choluteca River, and the hydrogen sulfide gas rising off the river because of anaerobic decomposition, was so bad it made my throat raw.

A biologist at the University of Honduras told me that during the dry season, when I was there, there is not a drop of water in that river that has not been through a factory or a home. Large hunks of waste float down the river. Thick oil scum floats by. You and I would not even think of washing our cars in that water.

Yet for thousands of Tegucigalpans, the Choluteca River is the sole source of water. These people must drink it and bathe in it. They wash their clothes in it, they soak corn in it to make tortillas.

They have no choice. Forty percent of the capital area is not served by piped water, not even a single pipe in their neighborhood. Some people pay as much as half their monthly income to buy water from unlicensed vendors who pump it from the rivers.

Yet the capital city is full of well armed, well dressed soldiers. Some of their equipment even says "U.S." on it. The U.S. has sent \$482.9 million in military aid to Honduras in the past 10 years. These priorities must be changed. Not just in Honduras, but throughout the world.

These priorities must be changed, and not just changed through the appropriations process, but fundamentally changed in the authorization of the foreign assistance program.

The goal of the foreign assistance program should be sustainable development aimed at the alleviation of poverty and hunger in environmentally sustainable ways.

That goal should apply to all of the foreign assistance programs, not just those programs in Title I Sustainable Development.

If the foreign aid program were redirected, it could make a significant contribution to improving the lives of the world's poor, and thereby contribute to world peace and stability.

I lived for two years in Costa Rica. Costa Rica has the highest literacy rate in Central America, nearly universal access to health care and basic education, and one of the lowest infant mortality rates in the Americas.

Costa Rica also has the longest history of peaceful democratic transfer of power in Central America. Social justice makes democracy work in Costa Rica. Costa Rica achieved much of this because it has no army and invested instead in its people. It is an excellent example of how money invested in basic education, health and infrastructure pays off in peace, stability and markets for U.S. goods. I was in Costa Rica during a presidential election, and shared their joy at being able to freely choose their president.

Foreign aid can help other countries achieve the same stability.

What should the U.S. foreign aid program look like?

Foreign aid should look more like the Peace Corps.

Peace Corps works because it is small scale, grass roots development aimed at addressing people's needs as they identify them.

It is virtually impossible for a Peace Corps volunteer, armed with a desire to help, no project money and only a foreigner's command of the language, to impose a project on a community. The only change Peace Corps volunteers make is achieved when the community chooses to collaborate.

It is not as easy as taking in a team of engineers and a construction crew and building a dam, but it is more likely to be more useful.

The U.S. foreign assistance program should promote the values of the American people: democracy, justice, human rights, environmental protection, and equal access to economic opportunity.

It should be easier to find out exactly what foreign aid does look like. Returned Peace Corps volunteers have a continuing interest in the country where they served. But it is not easy to call AID and find out what programs are going on in a given country. If people understood foreign aid, they would be more supportive of it. They might also be more critical of other aspects of it, but that process would make U.S. foreign aid reflective of the views of the American public.

We are very pleased with the changes at AID under the leadership of Brian Atwood. Nevertheless, we cannot be confident that future administrations will be so open to public input. For that reason, there should be a mechanism in the foreign assistance act to institutionalize citizen oversight of the agency.

Conclusion

We recognize that we have to do our job to help you do your job. We need to work harder to educate Americans about their role in the world, about interdependence, and about the need for foreign assistance.

We have begun to mobilize the 140,000 people who have served the Peace Corps since it was founded in 1961. We are asking them to educate their neighbors about the need for foreign assistance and to provide you with the support you need to reform the U.S. foreign assistance program.

We have collaborated with the InterAction review of the proposed foreign aid bill and we agree with the recommendations that emerged from that process.

Thank you very much for the opportunity to comment.

Statement of John W. Sewell
President, Overseas Development Council

before the
U.S. House of Representatives
Committee on Foreign Affairs
on
"Reform of U.S. Foreign Assistance Activities"

Wednesday, February 9, 1994

Washington, D.C.

The views expressed herein are my own, and do not necessarily reflect those of the Board or staff of the Overseas Development Council.

Thank you for inviting me to appear before the House Foreign Affairs Committee as you begin deliberations on H.R. 3765 (the "Peace, Development, and Democracy Act of 1994"), the Administration's proposals for reform of the Foreign Assistance Act of 1961. We all agree that there is a clear and urgent need for comprehensive reform of the U.S. foreign assistance program. As they now exist, these programs do not effectively promote this country's international interests and do not respond to the long-term and short-term needs of the developing world. The central question therefore is the adequacy of the Administration's proposals.

In my testimony, I will attempt to address both the strengths and weaknesses of the proposed legislation. Much of my testimony is drawn from the work we have done at ODC in recent years, most notably the series of "alternative international affairs budgets". It also reflects the conclusions contained in "Reinventing Foreign Aid: White Paper on U.S. Development Cooperation in a New Democratic Era" produced by The Independent Group on the Future of U.S. Development Cooperation. The views laid out here however are my own and do not necessarily represent those of the Board, Council and staff of ODC. I have attached to my testimony a paper outlining American interests in the developing world which appeared in ODC's last alternative budget.

The Strengths of H.R. 3765

Let me deal with the strengths of H.R. 3765. First, the administration's proposed legislation is a commendable effort to revise the strategic framework for U.S. foreign policy for the post-Cold War world. It is important to underscore, therefore, that the legislation does not just deal with traditional programs of development cooperation. Rather it provides the beginnings of a comprehensive framework - covering development humanitarian programs, democracy, export promotion, and security - for American foreign policy in a world no longer dominated by Cold War rivalries. Its breadth and comprehensiveness is a very useful of opening a much needed debate on these issues.

Second, it recognizes that development has to underpin a good part of American foreign policy in the period ahead. The statement in Section 3 that "sustainable development is in the long-term interests of the United States" is particularly noteworthy. The proposed legislation, therefore, provides a real service in making clear that other important goals such as export promotion or promoting peace should be kept separate from development cooperation. The Administration's agreement to protect the sustainable development initiatives in the legislation is extremely important.

Third, the proposed legislation is consistent with a long standing goal of this committee - to establish a efficient, streamlined development program that will maximize the impact of the scarce resources available for these priorities.

Finally, the administration obviously seeks through this legislation to create a new consensus with the Congress, and presumably with the public on the central issues of American foreign policy and on programs designed to promote U.S. interests abroad. For that reason, the deliberations of this Committee, and its counterpart in the Senate are particularly important. It is in this spirit that I will focus the remainder of my remarks on the weaknesses of the proposed legislation, precisely because I believe that this draft requires considerable improvement before it can serve as a comprehensive blueprint for a post-Cold War foreign policy.

The Weaknesses of H.R. 3765

First, the draft as it is written is all things to all people. There are no priorities established either between the various Titles, or in most cases within the separate sections. In addition, there currently is no unifying theme or clearly articulated statement regarding how foreign assistance functions in relation to overall foreign policy objectives.

It is absolutely crucial, therefore, that the opening policy statement clearly articulates U.S. international priorities, and particularly the role of U.S. foreign assistance in promoting those priorities. The priorities need to be clearly articulated by the Administration, and agreed upon with the Congress. Some can probably be written into the legislation, or articulated in other policy statements.

For instance, there is no explicit statement that the transitions in the former Soviet Union and Eastern Europe and peace in the Middle East are clear priorities for American foreign policy. As a result, Title II—Building Democracy—and Title III—Promoting Peace—are essentially euphemisms for these priorities which we know will continue to claim the lion's share of the international affairs budget. (A quick glance at the Administration's FY1995 budget shows that well over half of the funds requested for building democracy, promoting sustainable development, promoting peace, and providing humanitarian assistance will be allocated to the Middle East or the former Soviet Union.)

Clarity here is critical because ultimately budgetary resources will be allocated for each of the major Titles. That process of allocation will in itself set priorities as it does in the FY 1995 budget. But clarity also is important to judge the success of programs. Budget resources may be important to promote goals with direct pay off to the United States—peace in the Middle East, financing the transition in the former Soviet Union, or expanding American exports. But these are not the same type of goals and should not require the same kind of long term concessional finance as does supporting sustainable development or meeting humanitarian needs. The Committee has a real opportunity in considering the draft legislation to clarify U.S. objectives, to assess budget priorities, and to end the confusion between programs and budgets designed to meet important security needs, and those designed to address longer term development goals.

Second, while the objectives and types of assistance set out under each chapter are by and large unexceptionable, they provide no guidelines for setting priorities, particularly when it is clear that budget resources, especially for sustainable development, will be severely constrained. It is important, therefore, that the bilateral programs focus on a selected number of critical goals which build on the strengths of the American public and private sectors, and where U.S. leadership can have a major, visible impact in a measurable time frame. Their absence from the draft, or from the statements of Administration officials discussing the legislation is particularly striking, given the fact that there is a number of such proposals suggested by experts (Some have been set out in ODC's "alternative budgets".)

Let me suggest two examples. One such critical goal could be American leadership in an international effort to complete the "children's health revolution" by eliminating the four major diseases for which vaccines are available (measles, tetanus, whooping cough, and polio); eliminating Vitamin A deficiency, the major cause of blindness, and iodine deficiency, the largest cause of preventable mental retardation; and making oral rehydration therapy universally available in order to prevent simple diarrhea from remaining the biggest killer of children. A second could be to make family planning services available to all women of child-bearing age both in order to slow population growth and, equally importantly, to give women a measurable degree of control over their own lives. Both of these goals are doable at an affordable cost if the United States were to provide leadership.

Third, the use of functional categories to organize the legislation is an advance in that it makes clear the overall emphases of U.S. foreign policy. But it presents two unresolved problems. First, it will not be easy to use functional objectives to define measurable success or failure of foreign assistance programs without the addition of the kind of specific goals discussed below. How will we know when the United States is "secure" or when development has become "sustainable"? For a goal such as the promotion of democracy, results have to be judged on a long-term basis, and can be affected by a variety of short-term external factors that do not reflect overall program effectiveness. Clarifying this issue is particularly important if Congress is going to grant the administration the degree of flexibility it desires and which on efficiency grounds may be very important.

Similarly, it is unclear why certain programs are inserted under particular functional categories. For example, should funding for the former Soviet Union and Eastern Europe be inserted under Title II—Building Democracy—because that is the political objective of the program? Or should the funding be inserted under Title I—Sustainable Development—because the assistance is carried out through sustainable development programs administered by USAID?

Fourth, the legislation fails to recognize the changes that have taken place in development cooperation since the legislation was last reformed. There are now many more aid donors, and the United States is no longer the major aid provider. Promoting sustainable development, addressing global problems and humanitarian challenges, and promoting peace and democracy demand resources and priority far beyond the scope of bilateral programs

Therefore, new legislation needs to articulate the role of the U.S. bilateral program and USAID vis-a-vis the multilateral donor community and other bilateral donors. During a time of domestic budgetary austerity, it is absolutely crucial that the United States identifies its comparative advantage as an aid donor, concentrates its resources in several well-defined areas, and organizes its efforts to leverage other bilateral and multilateral resources to address issues of common concern.

Nowhere is this more important than in the section on the international financial institutions. That section (Section 1301) as now written is wholly inadequate. Both bilateral and multilateral institutions now are crucial instruments of development cooperation, and U.S. policies toward both need to be coordinated. It is clear, for instance, that the role of the IBRD and the IMF in facilitating the transition in the Soviet Union is very important. The legislation should be much more specific about the "mix" of U.S. development assistance, addressing not only the balance between bilateral and multilateral aid, but also the comparative strengths and weaknesses of the major international institutions—the IMF, the World Bank, and the regional development banks, and also the UN development programs.

Fifth, while the draft contains a commendable emphasis on sustainable development, it fails to clearly identify poverty alleviation as a central goal of U.S. foreign assistance policies. There is now a consensus that promoting sustainable development requires focusing on the interlinked goals of poverty alleviation, economic growth, and environmental protection, joined to the values of human rights and democracy. Alleviation of poverty is fundamental to the promotion of sustainable development and democracy, and it is very important to enhancing security and promoting American economic interests. Congress has insisted on priority to poverty issues when it rewrote the legislation in 1973, and reiterated that priority more recently in the Hamilton-Gilman Task Force report. The language in the draft has improved since the "discussion draft" that circulated several weeks ago, but it can be improved in the proposed legislation.

Sixth, the proposed legislation is weak on the specifics of promoting democracy. While the elements of sustainable development are now increasingly understood, promoting democracy in its broader dimensions is not. The draft legislation is particularly weak on what will be done and how it will be done, including particularly the assumptions about what works to promote democracy. (As currently drafted, there is an implicit assumption in the bill that the stated policy objectives are always complementary and mutually reinforcing. In fact, unless properly coordinated, programs to promote democracy, environmental sustainability, and economic growth through trade and investment can have contradictory programmatic objectives.)

This is important because it is not self-evident what can be done to promote democracy through direct government assistance, and what can be done indirectly through improving the international economic environment so that it is supportive of the needs of emerging democracies. In addition, the legislation implies a diminution of attention to the strengthening of governmental capacities which may be equally crucial to the promotion of democracy.

Seventh, the draft bill does not make it clear who is in charge of overall policy. Making USAID a statutory agency is a positive step, but USAID should receive a much clearer delegation of authority to formulate and implement long-term sustainable development programs. (It now appears that USAID is only responsible for implementing programs covered by Title I.) For instance, the draft is silent on the relationships between USAID and those in the State Department responsible for the international organizations and for global issues.

The draft also is silent on the issue of interagency coordination. Given the number of agencies whose policies have an impact on U.S. support for sustainable development, some mechanism is needed to assure coherence in the developmentally consequential actions of Treasury, Agriculture, HHS, State, OPIC, Ex-Im, USTR, Peace Corps, EPA, Interior, Commerce, and other agencies with international programs. Simply giving the authority to the Department of State is not adequate because the Department has shown neither the ability or the willingness to play that role. It will be particularly important, therefore, to ensure a consistent development perspective in U.S. policy toward the multilateral institutions. In addition, there must be adequate mechanisms for consultations with Congress and the NGO community.

Needed Improvements

It follows from the above that I think several improvements need to be made, either through amending the current draft or in agreements reached between the Congress and the Executive:

1. Clear priorities need to be established among and within the Titles of the draft legislation, including on budget allocations. (For instance, in the FY1995 budget proposals sustainable development programs receive less than one-quarter of the International Affairs allocations.);
2. Measures of success need to be established so that the efficacy of programs can be evaluated;
3. The interrelationships — and coordination — between bilateral and multilateral programs need to be clearly established;
4. Poverty alleviation needs to be clearly identified as central goal of U.S. development policies;
5. The programs and priorities designed to promote democracy need to be specified in more detail;

6. A coordination mechanism to assure coherence among the agencies and programs of the federal government needs to be put into the legislation.

Finally, let me say a word about budget priorities. Agreement between congress and the administration on new legislation could turn out to be a pyrrhic victory unless the current budget crisis in the international affairs account is dealt with directly. The Administration's decision to hold the international Affairs budget virtually steady in FY1995 is a welcome recognition that essential American interests abroad are at stake in the coming years.

The proposed budget also reflects the reality that in the post-Cold War period important U.S. security interests can't be addressed through military means. But as a result, programs designed to end the conflict in the Middle East and to facilitate a peaceful transition in the former Soviet Union will claim over half of all the funds requested for FY1995 to build democracy, promote sustainable development, promote peace, and provide humanitarian assistance. Similar opportunities and needs overseas are likely to multiply in the coming years. Hopefully, this will force a fundamental re-examination of the balance between our budgets for military programs and those designed to promote our non-military interests abroad.

Excerpted from Challenges and Priorities in the 1990s: An Alternative U.S. International Affairs Budget, FY 1993, John W. Sewell, Peter M. Storm, and Contributors for Overseas Development Council, 1992.

Part I. American Interests in a Developing World

A Changing World and U.S. Opportunities

The disintegration of the Soviet Union gives the United States an unprecedented opportunity to exercise global leadership in shaping the post-Cold War world and simultaneously to address pressing, previously neglected challenges. After five decades of according priority to military preparedness, including a cumulative total of \$12 trillion in defense expenditures,¹ the United States can now turn to other concerns.

In the past decade, the preoccupation with confronting communism abroad was paralleled by a neglect of problems at home. There is justified concern that domestic issues should now be given priority. Many are worried about this country's ability to compete in global markets, and policymakers face constraints imposed by budgetary gridlock and pyramiding national debt. Observers across the political spectrum are calling for the United States, having won the Cold War, to "come home."

For the first time since World War II, the United States has the opportunity to reduce its

overseas military commitments and redirect spending priorities toward domestic problems. Even as it turns to domestic issues, however, the United States cannot afford to ignore the world beyond its shores. Many economic, environmental, and social challenges facing the United States can only be dealt with through cooperation with other nations, including those in the developing world.

The challenge for U.S. policymakers is to forge a new foreign policy that seizes the opportunity to make America stronger at home and abroad. The United States cannot do everything; resources are limited and many things are beyond its control. But there is much the United States can do to promote its own interests and those of the global community at a mere fraction of what was spent fighting the Cold War. The changes of the last few years also allow the United States to make common cause with the growing number of countries that share the same basic values and interests.

The United States and the Developing Countries

Recent rapid and dramatic changes in Eastern Europe and the Commonwealth of Independent States (CIS) have grabbed the world's attention, but the developing countries are as important, if not more so, to the future well-being and prosperity of the United States. Home to nearly 80 percent of the world's population, the countries of the developing world are valuable trading partners, continuing suppliers of oil and other important raw materials, and crucial partners in confronting domestic and international challenges.

Consider some of the "domestic" issues about which Americans are most concerned: unemployment, energy dependence, trade deficits, environmental degradation, drugs, illegal immigration, and AIDS. Each is global in nature and can only be addressed effectively with the cooperation of developing countries.

U.S. EXPORTS AND JOBS

In the 1970s, the developing countries emerged as major export markets for American industry. In 1981, they bought 41 percent of U.S. exports, more than Japan and Western Europe combined.¹ After 1982, however, the debt crisis and global recession shrank developing-country markets; in 1986, the developing-country share of U.S. exports dropped to 32 percent. Despite overall improvement in U.S. exports in the latter part of the decade, by 1990 the developing-country share of U.S. exports was still only 34 percent, and the United States had lost an estimated 1.7 million jobs due to lost export opportunities.

At the end of 1991, the United States had a merchandise trade deficit of \$66 billion² and over nine million Americans were unemployed.³ Although the largest U.S. bilateral trade deficit is with Japan, the United States buys more than it sells

to most other countries, many of which are severely indebted. Faster growth in debt-burdened developing countries would expand U.S. exports and create American jobs. If the developing countries return to growth rates approximating those of the 1970s, U.S. exports to developing countries could be as much as \$30 billion a year higher within three years, resulting in the creation of as many as 600,000 new U.S. jobs.⁴

ENERGY DEPENDENCE

Nearly a quarter of all oil consumed in the United States comes from developing countries outside the Persian Gulf.⁵ The United States consumes 26 percent of the world's oil, while possessing only 4 percent of proven oil reserves.⁶ At present rates of consumption, U.S. reserves will last only 10 years,⁷ making the United States increasingly dependent on imports—and on the developing countries.

INTERNATIONAL FINANCIAL STABILITY

U.S. commercial banks hold over \$65 billion in debt from developing countries that are not members of the Organization of Petroleum Exporting Countries (OPEC).⁸ Although the debt crisis has eased and no longer threatens to destroy the international financial system, it remains an important determinant of the overall health of a U.S. banking system already weakened by domestic bankruptcies and the collapse of savings and loan institutions.

ENVIRONMENTAL DEGRADATION

Global threats to the environment include ozone depletion, global warming, and tropical deforestation. These threats can only be dealt with through international cooperation and require a willingness by all countries to accept responsibility for their share of the problem and to make the difficult commitments necessary to protect the world's environment.¹¹

Ozone depletion, caused by the accumulation of chlorofluorocarbons (CFCs), has been widely recognized as a serious threat since 1985, when a continent-sized hole in the ozone layer over Antarctica was discovered. In January 1992, NASA scientists warned that a similar hole could develop over the northern latitudes by the end of this decade, causing dramatic increases in skin cancer and eye cataracts in the northern United States and potentially disrupting global food production.¹² Industrial countries as well as many developing countries have agreed to phase out CFCs. The NASA findings further spurred the United States to accelerate unilaterally requirements to replace CFCs with chemicals less damaging to the ozone (although some of these more expensive CFC substitutes also damage the ozone layer). However, unless the more advanced developing countries also agree to eliminate CFC use, ozone depletion will continue to accelerate.

Similarly, as industrial activity throughout the world increases and populations expand, growing emissions of carbon dioxide and other greenhouse gases contribute to increased global warming. The consequences of global warming could include rising oceans, increased frequency and severity of storms, changes in rainfall patterns, and eradication of major species. The United States and other industrial countries currently remain the largest

emitters of greenhouse gases.¹³ However, developing countries are becoming major contributors to the problem. For instance, if India and China raise their per capita emissions to the world average, global carbon dioxide emissions will increase an estimated 33 percent.¹⁴

Some 40 million acres of tropical forest are destroyed each year through deforestation. Because forests are often cleared by burning, deforestation contributes to atmospheric concentrations of carbon dioxide. Tropical forests contain at least 50 percent, and perhaps as many as 90 percent, of the world's plant, animal, and insect species. The genetic material in the dozens of species that are condemned to extinction daily as a result of deforestation is an irreplaceable loss; it will never be available for the development of pharmaceuticals and other products.¹⁵ Destruction of tropical forests also destroys the livelihood of many local people living in and around the forests, leading to a vicious cycle of increased poverty and environmental degradation.

DRUGS

Some 25 million Americans spend approximately \$50 billion per year on illegal narcotics.¹⁶ Drug addiction, and the demand to satisfy it, is causing unprecedented violence and social disruption in American cities.

Nearly all illicit drugs sold in the United States are grown in developing countries, often by poor farmers with few other means of generating cash income. For some countries, revenues from the sale of illegal narcotics are substantially larger than legal export earnings; for Bolivia and Colombia, they are nearly twice as large.¹⁷ The farmers, however, get little of the profit—just enough to entice them away from legal activities.

Increased U.S. military assistance for drug interdiction in the Andean countries (from \$5 million in 1988 to \$140 million in 1990) has proven ineffective; cocaine production in Latin America increased by 28 percent in 1990 and by an estimated additional 10 percent in 1991.¹⁹ Unless expanded efforts to cut consumption in the United States are joined with viable economic alternatives in the drug-producing countries, particularly in Latin America, illegal drugs will remain their most profitable export.

ILLEGAL IMMIGRATION

Although proud of their heritage as a nation of immigrants, Americans in many parts of the country are concerned that illegal immigrants today take jobs, depress wages, and increase the burden on social services. Efforts to control illegal immigration have met with mixed success. A report commissioned by the U.S. Congress concluded that the only long-term solution to illegal immigration is sustained economic development, particularly in Latin America.²⁰ In addition, renewed programs to slow population growth will help reduce pressures to emigrate.

HIV/AIDS AND INTERNATIONAL EPIDEMICS

An estimated one million Americans are infected with human immunodeficiency virus (HIV), the virus that causes AIDS. Internationally, 10 to 12 million people are HIV positive, the majority in Africa, but increasing numbers in Asia as well. By the year 2000, 30 to 40 million people could be infected worldwide.²¹

AIDS is a global problem and requires global solutions. Prevention efforts through education must be continued and expanded; the cost is minor compared with the cost of treatment, and it is the only option available for the near future. Efforts to develop and test a vaccine will require close cooperation among scientists in many countries; vaccine testing will have to take place in developing countries most affected by HIV.

Millions of lives could have been saved had an international early warning system been in place when the AIDS pandemic was still in its early stages. Increasing world population, urbanization, and the permeability of international borders mean that other epidemics could also catch the world by surprise. (For a discussion of the kinds of measures that could avert such epidemics in the future, see Lincoln C. Chen, "A New World Health Order," in this volume.)

Building a Better World

Pressing social and economic challenges in the United States as well as the long-term goal of helping to build a world with greater human dignity, well-being, and freedom require the United States to remain actively involved with and supportive of developing countries. The promotion of these values—intrinsic to the American political tradition, even if sometimes breached in practice—has long been a cornerstone of American foreign policy.

The current international political context, free of conflict between competing ideological systems, offers an opportunity to promote American democratic and humanitarian ideals. With communism discredited, these ideals offer the undisputed best hope for development and progress. To be credible, however, the United States must be willing to help address the urgent problems that face the developing countries, many of which have implications for the United States as well.

REDUCING POVERTY

Developing countries as a group have made considerable economic and social progress since the 1950s. Until the 1980s, economic growth rates in the developing countries exceeded those realized by the developed countries during their industrial revolutions. Between 1960 and 1990, average life expectancy for the developing world as a whole increased from 46 to 63 years. Yet over one billion people still live in extreme poverty, with average per capita incomes less than \$370 per year. These "poorest of the poor" not only have less income but also less education, lower life expectancy, more malnutrition, higher rates of infant mortality, substandard housing, and less access to water, sanitation, health care, and other social services.²²

Americans consistently express concern over the plight of the very poor, even as they doubt the

effectiveness of current U.S. foreign assistance programs.²³ Reducing poverty is of concern to Americans both for humanitarian reasons and as a means to address important global issues. Poor farmers grow coca because they have no alternative sources of income, and they destroy tropical forests because they are desperate for land. Illegal immigrants come to the United States seeking new opportunities because economic stagnation or environmental deterioration leave them without prospects in their own countries. Disparities between rich and poor countries contribute to regional and global political instability.

Poverty is not confined to developing countries. Poverty has grown in the last decade in the United States, particularly among children.²⁴ Domestic and international programs to alleviate poverty often suffer from the same mistakes. Underfunded and implemented from above, without actively involving the people affected, they create dependency instead of empowering people to take charge of their own lives. Both humanitarian ideals and self-interest require the United States to make a renewed commitment to closing the widening gap between rich and poor at home and abroad.

IMPROVING GLOBAL HEALTH

Enormous progress has been made during this century in increasing longevity and reducing morbidity. Yet the benefits of increased health knowledge have not been uniformly distributed, and wide global disparities remain. Average life expectancy in Africa is 55 years, compared with 76 in the United States. The infant mortality rate in Africa is 90 deaths per thousand live births, compared with five per thousand in Japan, Finland, and Iceland.²⁵

Within the United States, disparities exist as

well. The infant mortality rate of the black population is twice that of the white population (18 per thousand compared to 9).²⁶ Native Americans, migrant workers, and many recent immigrants have health conditions resembling some of the world's poorest countries.²⁷

Global efforts to protect against and eradicate diseases provide direct benefits to the United States. The successful effort to eradicate smallpox saves the United States approximately \$300 million per year in vaccines and border checks. The eradication of polio, an internationally agreed health target, could provide similar savings.²⁸ Vaccines tested in developing countries protect U.S. travelers from tropical diseases. The use of oral rehydration therapy instead of hospital-based treatment of diarrhea in the United States has potential life-saving and cost-reducing applications for both children and the elderly.²⁹ The Center for Disease Control is currently studying how the lessons learned in developing-country vaccination programs can be applied in the United States, particularly among urban populations, where between 58 and 90 percent of all children are not fully immunized.³⁰

REDUCING WORLD POPULATION GROWTH

If present fertility trends continue, today's world population of 5.4 billion will nearly double by 2050. Increased international efforts to provide family planning services and improve women's education and health, particularly in developing countries, could stabilize world population at less than 10 billion. If international commitment flags, however, world population could reach 11.7 billion by 2050 and ultimately exceed 14 billion. Over 90 percent of the population increase will occur in developing countries.³¹

Current economic, political, and environmental systems may not be able to sustain a tripled world population. World population growth directly affects many issues of concern to the United States, including environmental degradation, illegal immigration, economic stagnation, global health, and poverty. With a large percentage of women in developing countries entering their childbearing years, family planning efforts in the next decade will be a crucial determinant of future world population and well-being. (For a discussion of measures to slow population growth, see Sharon L. Camp, "Slowing Population Growth," in this volume.)

CONFLICT RESOLUTION

One hundred twenty-five wars, causing between 20 and 40 million deaths, have taken place in the developing world since 1945.³² Estimates of property losses run as high as \$500 billion,³³ and millions of refugees have strained the capacity of human caring.

Although the end of the Cold War will reduce the likelihood of nuclear war and armed conflict between superpowers, the causes of instability and insecurity, as well as the roots of tensions between states in the developing world, will remain potent forces for conflict for some time. The dissolution of the Soviet Union has also lifted the lid on long-simmering ethnic conflicts, some of which have already erupted into civil war.

In addition, many developing countries have acquired, or are producing, increasingly sophisticated weapons, including nuclear explosives, ballistic missiles, and chemical and biological agents. The United States will need a scaled-down military to defend itself if necessary, but efforts to resolve or avoid conflict will likely prove more productive and

more cost effective. Conflict resolution and avoidance must be important parts of the United States' international agenda

REFUGEE RESETTLEMENT

There are currently 17 million international refugees in the world, mostly women and children, and at least 23 million internally displaced people. Many are the lingering human fallout of Cold War conflicts. The largest refugee populations are in Africa (5.3 million), the Middle East (5.8 million), and South Asia (4.0 million).³⁴ Conflicts in Central America have led thousands to seek refuge in surrounding countries and the United States.

The number of refugees has more than doubled in the past decade, and many very poor countries have made admirable efforts to meet refugees' pressing needs. U.S. assistance, however, has remained constant. As a result, funds for education and resettlement have largely been eliminated, and refugee programs today focus merely on survival. Yet the ultimate goal of refugee assistance must be to help people establish new lives, preferably in their country of origin. Efforts to end regional conflicts are crucial, as is assistance in the orderly repatriation of refugees to their own countries, most of which have been devastated by wars.

PROMOTING DEMOCRACY

The last decade brought a welcome wave of political openness to the developing world. Eastern Europe, and the CIS. Most Latin American, and some Asian, countries have replaced military governments and one-party states through multiparty elections. Similar changes began in Africa in 1991. More than ever, competitive political systems are the norm; the opportunity to promote democracy and open political systems is greater than at any time in history.

Economic pressures on the newly democratic regimes are severe, and political backlash could result if improvements in well-being take too long. In addition, national elections do not necessarily lead to increased local participation in decisionmaking. Allowing people control over decisions that directly affect their lives is an essential—though often neglected—component of building stable and equitable societies.

Maintaining and nurturing the nascent democracies and encouraging local participation in decisionmaking are consistent with American ideals and would considerably increase regional and global stability.

Planning for an Uncertain Future

Even in the midst of economic difficulties, the United States must plan for future challenges. Some emerging issues are already evident. Continued growth in the United States requires a growing world economy. The global environment must be protected, the needs of the poor addressed, and world population growth stabilized if the United States wishes to be part of a healthy and stable world.

But further surprises undoubtedly lie ahead. The earth has become smaller, more crowded, and the lives of its people more closely intertwined; the effects of growing populations' activities on the earth's atmosphere, oceans, and forests are only partially understood. Few predicted in 1980 the global challenges that face us in the early 1990s. The AIDS virus was only identified in 1981; the hole in the ozone layer was discovered in 1985.

In the political realm, surprises are equally likely. The Soviet Union, considered a major threat just a few years ago, no longer exists. Predicting the new issues that will face us in 2052, or even 2002, is impossible. It is essential, therefore, to begin to lay the foundations for international cooperation that will allow us to confront current and future global challenges.

U.S. Policy Priorities After the Cold War

A government's primary responsibility is to its own people. The United States first must boldly address the challenges within its own borders. When the country with the world's largest GNP ranks twentieth in child mortality¹⁹ and has 36 million people without health care coverage,²⁰ a shortage of low-income housing, and an annual budget deficit exceeding \$350 billion, claims to global leadership ring hollow.

Addressing concerns within U.S. borders will require improving U.S. economic competitiveness, reducing the budget deficit, creating new and more productive jobs, improving education, making health care affordable and accessible to all, creating affordable housing, combating the use and flow of drugs, and protecting the environment.

Even as it addresses issues at home, however, the United States continues to have an important, although altered, role to play in the world. In the 1990s, world leadership will come less from military power than from economic strength and moral example. The end of the Cold War makes it possible for perhaps the first time to envision a world characterized by peace, economic growth, environmental sustainability, and widespread democratization and human development.

In this world, the traditional dichotomy between "domestic" and "international" issues is an anachronism. Global action is needed to address successfully the majority of so-called domestic concerns as well as to advance longer-term U.S. interests in building a better world and promoting American humanitarian ideals. The United States must learn to think strategically—helping to frame the new international agenda while sharing responsibility for its implementation and using available resources to leverage participation by other nations.

In the period ahead, U.S. foreign policy must have the following broad objectives:

1) *Global economic growth* Growth in the world economy is essential for both developed and developing countries. It could also be an important part of an overall strategy to restructure the U.S. economy and restore American competitiveness.

2) *Resolution of outstanding regional conflicts.* A truly peaceful world requires not only an end to the Cold War between the superpowers but also resolution of long-term and emerging regional conflicts in the developing world and Eastern Europe. Arms control, conflict resolution, postconflict reconstruction and development, expanded refugee programs, and disaster relief are essential to preventing further outbreaks of hostility.

3) *Progress on the common global challenges requiring cooperation and participation from all countries.* The United States should take a leadership role in addressing such problems as environmental threats, rapid population growth, AIDS, and other health pandemics.

4) *Poverty alleviation and human development.* Wide disparities in income and human well-being between rich and poor people and countries are immoral; they also contribute to many other global problems. They must be resolved for both humanitarian and self-interest reasons.

5) *Political reform in the developing countries, Eastern Europe, and the Commonwealth of Independent States.* The new democracies require support and encouragement if they are to make the difficult transition to permanence.

Pursuing these new post-Cold War objectives will require strong leadership and commitment but not necessarily large increases in direct government expenditure. Negotiating increased trade openness or diplomatic efforts to dampen regional conflicts require a commitment of political time and energy and multilateral cooperation in a wide range of areas. But those efforts do not involve massive increases in U.S. international affairs spending.

For other purposes the international affairs budget is an important instrument in pursuing U.S. national interests abroad in the 1990s, even though it represents less than 1 percent of overall government spending.

The Alternative Budget that follows restructures current international affairs expenditures to better promote U.S. interests at home and abroad. The proposed changes reflect the dramatic developments of recent years, translate where appropriate the interests and ideals just outlined into concrete spending priorities, and lay the foundations for a strong and secure future within a stronger and more secure world.

Testimony

before the

Committee on Foreign Affairs

U.S. House of Representatives

Richard E. Bissell

Overseas Development Council
and
American University

Thank you, Mr. Chairman. It is a pleasure to be able to testify before this Committee this morning.

Mr. Chairman, we have all worked hard for aid reform for the last six years, including my own endeavors in prior incarnations at the U.S. Agency for International Development. While we have not achieved major reform in that time span, I must say that I respect enormously the evident commitment of the leadership of this Committee to try to put aid right. The need for reform was evident before the end of the Cold War; today, it is manifestly in need of a new authorization. I am delighted to see this Committee, under your leadership, taking up this issue.

If I may briefly summarize some of the principal issues we have discussed in recent years with regard to aid reform, they boil down to these:

(1) the need to simplify: the many objectives, themes, goals, cross-cutting issues, and precautionary amendments are all familiar. One of the major goals of this process has been to "get back to basics." The issue is not an inability of USAID to manage multiple mandates; the issue is that they are frequently contradictory, or given no priority. As a result, the program stalls, like an automobile asked to go in several directions at once.

(2) the need to coordinate: the many agencies involved in international activities abroad has burgeoned in the last decade. I don't know of a federal agency that does not have an international office or bureau. Even if that office is just one senior official, its mandate is to expand the agency's role abroad. The evident failures of past attempts of authorizing legislation to create such coordination (as in the Development Coordination Committee or the International Development Cooperation Agency) does not argue against trying; it is testimony that the need, if growing, has always been there.

(3) the need to better relate to non-governmental development efforts emanating from American society: the many universities, private voluntary organizations, cooperatives and businesses already committed and involved in development activities abroad has long been recognized as unique American assets. Our private development efforts dwarf by many magnitudes similar capacities of other donor countries in developing countries. Throughout our reform discussions, the question has been how best to capitalize on that capacity -- not to stifle it with a bureaucratic blanket, but rather to empower and enlarge it.

(4) lastly, but certainly not least, the need to relate our foreign assistance programs to a significantly changed U.S. role in the world: the end of the cold war, the economic collapse of the republics of the former Soviet Union, the emergence of Asian economic power, and the need to find selective areas of U.S. leadership in global councils. This last issue becomes particularly difficult to confront, because of the continuing lack of consensus over an appropriate U.S. place in a "new world order." Those who hoped for a rapid transition from the comfort of a bipolar world to another secure structure have been badly disappointed. Assuming that we may have to live with substantial strategic flux for some years, we who are interested in aid reform have to ask where the foreign policy anchors may be.

I raise the four issues above in hopes of reminding all of us where this debate over aid reform has traversed in recent years. I don't believe there is strong disagreement over the nature of those issues. They are not partisan. And to the degree that our foreign aid program has always been most effective when blessed with adequate bipartisan support, I hope that they will serve as continuing anchors for our consideration of a new authorization.

In your invitation to testify, Mr. Chairman, you asked that four questions be addressed. Let me address all four, some briefly and others at greater length:

Why is Foreign Assistance in the U.S. National Interest?

Frankly, it isn't always in the national interest. Foreign assistance that is untargetted, bereft of strategic direction, uncoordinated, or badly implemented damages both the U.S. national interest and the countries to whom it is provided. We should not fool ourselves; if we, as the American people and the Congress, are not willing to invest in a program of high quality, we should not do it at all.

If we use foreign assistance to simply "maintain a presence" in some countries, we should stop it. It is probably money wasted. And I applaud Administrator Atwood for accelerating the closure of 21 missions, many of which had become largely inconsequential.

At the same time, the use of government resources in a long-term program that enhances sustained cooperation between the U.S. and a foreign country can have benefits far beyond our lifetime. The examples of training programs from around the world that bring the brightest to the U.S. to study economics, business management, and many other technical fields have payoffs decades in the future – both for the developing country and for the U.S. The in-depth partnerships that can be created through strong assistance programs focussed on technical problems have marvelous cost-benefit ratios. And the benefits appear in economic, political, and sociological terms.

Why is Foreign Assistance Reform Needed?

The needs were laid out at the beginning of the testimony: the need for getting back to basics, for coordination, for a new relationship with private efforts, and for a stronger strategic base from our foreign policy.

What Practical Difference Will Foreign Aid Reform Make?

That's not clear; it will depend on the kind of authorization bill that is passed by the Congress, and whether the appropriators will cooperate with the spirit as well as the letter of the reform. Perhaps more importantly, we should ask a set of questions that would determine the type of reform that is ultimately passed; for example:

(1) Can we design a foreign aid reform bill that would generate a stronger, practical majority in Congress? Too much of the foreign assistance program gets mortgaged by the weak majority it cobbles together. Is it possible to create a new program that is not merely a coalition of vested interests, supporting only one piece of the program?

(2) Can we authorize a foreign assistance program that would have clearer, practical results in the field? The need for implementation flexibility and multi-year authorizations has long been at the head of the list. The need for clearer measures of long-term development results is clear. And perhaps most important to the quest for sustainability, can the Agency show that the beneficiaries are "taking ownership" of such development efforts through broad-based participation, so that future generations will also benefit from our investments? Is the current Congress willing to press USAID for such a practical solution?

(3) Can we authorize a set of authorities with regard to administration, procurement, and personnel that would create a much more common-sense, practical relationship with those who carry out the foreign assistance programs? This Committee has heard enough testimony over the years about the bureaucratic difficulties of working with USAID, or within USAID, to know what has to be done.

(4) Can our foreign assistance program be asked to report on progress in its programs in such a practical manner that the average American can understand what she getting for her tax dollar? The accomplishments of our assistance program are legion, and the American people, when they are given a down-to-earth explanation of what is going on, support foreign aid. Instead, USAID's human resources are sapped by innumerable reporting requirements to Congress, and then discouraged by so-called "anti-lobbying" legislation from informing the American people about what is being achieved.

If this Committee can answer these questions with affirmative provisions in a new reform bill, the answer would be yes, foreign aid reform will make a practical difference.

What Kind of Reform in Foreign Aid Will Best Serve the U.S. Interests?

Numerous approaches to foreign aid reform have been reviewed in recent years, the most recent being the Administration's proposal for a "Peace, Development and Democracy Act of 1994." Since I understand that the Committee wants to mark up this text, it would presumably be most useful to frame the question of "what kind of reform" in the context of this draft bill. Let me return to a number of the questions that I posed earlier in my testimony.

Does the new legislation meet the need to simplify? As one reads through the "statement of policy" of the PDDA, is it clear what really counts? Has there been a diffusion of goals or a narrowing of goals to focus on priorities? Have any goals from the Foreign Assistance Act been deleted, or placed in a category where they are clearly subsidiary to the others? One can only hope that Administration testimony will clarify how the Agency hopes to get back to basics.

Indeed, a first reading would suggest that USAID is now being called upon to expand areas where it has not traditionally had any real depth. In democracy programs, for instance, while the work USAID has done in governance, human rights, election support, and administration of justice has been valuable, the real depth of expertise in these areas is outside the Agency; wouldn't it make more sense to review all of the government's programs related to democracy (e.g., the National Endowment for Democracy is now ten years old), and give those efforts some institutional coherence? It is not clear, in this context, why we need a proposal from USAID for "support for democratic participation" programs in the FY95 budget, and a separate "support for democracy" title elsewhere? In the area of the environment, USAID has been a pioneer of excellence in ensuring that development does not harm the environment. But does it have any real comparative advantage in

programs and projects purely focussed on improving the environment, such as global climate change? At a minimum, shouldn't the review of such environmental efforts also include programs at the Departments of Agriculture, Interior, Commerce, and Energy, as well as the EPA? It certainly sends an odd message to the nominal beneficiaries of foreign assistance: developing countries do not see climate change as a "development issue." And at home, environmental groups are saying it is time for more than a "no-regrets environmental strategy" that has been at the core of USAID's activities.

Does the new FY95 budget tell us where the priorities lie? I know this Committee will look carefully at the budget, presented on Monday of this week, to see if the priorities are right, and if they are sufficiently focussed in development purposes to make it worthwhile to pass this bill. The numbers indicate that the Administration is diminishing its support for economic growth (which already took the greatest cut in the FY94 budget of any category, and is now being cut again, as opposed to politically-attractive themes such as environment, democracy, and population programs. Development is too serious an issue for billions of people to be placed at the mercy of political fashions. If development cannot be engaged by USAID in the comprehensive, time-tested manner of development specialists, then it may need to be administered by a foundation less vulnerable to political pressures.

Does the PDPA reflect the need to coordinate U.S. activities in developing countries, particularly with foreign assistance, better than in the past? The PDPA, of course, deletes prior statutory references, such as to IDCA, and in his testimony last week, Administrator Atwood said that "the bill recognizes the Secretary of State's paramount role in coordinating all overseas programs, including coordination within the executive branch of budget and foreign policy issues. The new bill does not alter this traditional role." (emphasis added) If there was one tendency in the past of concern to those of us in the development field, it was that the Department of State was consistently unwilling to invest the time in the coordination process. If we maintain that "traditional role" as played by the Department of State, coordination is lost. And in an era when the developing countries lose much more in the outcome of a GATT round than they gain in foreign assistance, we shall be merely papering over the cracking dike by adding foreign assistance.

Does the PDPA bring about a stronger partnership for development with U.S. universities, PVOs, and businesses to achieve real improvement in social and economic indicators abroad? The policy language of the PDPA properly places strong emphasis on the potential value of PVO, university and cooperative involvement in the development process. And yet the "partnership" to which the PDPA refers is that between USAID and the NGO community. Isn't the partnership we want to encourage in the long-term that between the NGO community and similar institutions in developing countries? Isn't the U.S. government foreign assistance program in this area a facilitator for sustainable partnerships between private sectors in donor and recipient countries? It may be that a U.S. government agency is not the best vehicle to empower such partnerships. Would a quasi-non-governmental vehicle, such as a "sustainable development fund," as proposed by some observers, be better suited for nurturing and sustaining such NGO to NGO partnerships, rather than having the U.S. government in the middle?

Does the PDPA better relate our foreign assistance program to a larger U.S. foreign policy strategy? That is unclear from the bill. Last week, the Administrator said that he was "trying to create a de facto merger with the State Department." That presumably means that, if our foreign policy is reactive and focussed on crisis management, so will our foreign assistance — a mistake in

my book. Or if we have a strong, proactive post-cold-war strategy, USAID can be part of that, too. What concerns me is that the Department of State does not have an institutional interest in the long-term aspects of the foreign assistance program. Sustainable development would be highly vulnerable in a time of budget-cutting to a generalized, but erroneous mood in the State Department that such programs never pay off.

In conclusion, several issues need to be highlighted. The expenditure of political energy on passing a PDDA is sufficient to justify taking a careful look at its individual provisions as well as its underlying assumptions. The bill reflects some years of careful reflection about how to make our program work better – and the legal crafting that went into this draft bill deserves accolades. But in terms of policy, our foreign assistance program needs to get back to doing what it does well, and focussing on what is basic to the recipient countries. In many people's estimation, what USAID does best is economic development – facilitating the kind of broad-based economic growth set in a context of environmental sensitivity, equitable participation by all people, and honest, capable government. Such a program of assistance does not need lots of bells and whistles – it needs to practice its comparative advantage, and leave the rest to multilateral or private institutions.

After my experience of the last decade, I am convinced that the American people will support the right kind of assistance program: straightforward, pragmatic, responsive to needs, and focussed on issues where Americans can make a difference. If you make the PDDA into a bill that can fit that description, it will be well-supported at home and make a difference in people's lives abroad.

**Statement of Barbara J. Bramble, Director of International Programs of the National Wildlife Federation:
Before the Committee on Foreign Affairs of the U.S. House of Representatives - February 9, 1994**

- I. Foreign assistance is in the U.S. national interest if it is based upon the critical imperative of the late 20th century - fostering economically, socially, and ecologically sustainable development:
- II. The Clinton Administration's efforts to reform U.S. foreign assistance programs have achieved a number of successes:
 - The preparation of the bill included a notable consultative process with Non-Governmental Organizations (NGOs), and the final draft of the bill incorporates many NGO concerns.
 - The bill recognizes the importance of sustainable development, highlighting both environment and population as priorities.
 - Development assistance funds are "walled off," and development assistance to Africa is highlighted.
 - The bill now acknowledges the importance of people-to-people participatory development, especially for women and indigenous groups, and highlights the importance of public access to information about development projects and programs.
 - The bill acknowledges the need for transparency and accountability from International Financial Institutions.
 - Environmental Impact Statements are required for all sustainable development programs, as well as for the Overseas Private Investment Corporation.
- III. Sustainable development should be the overall goal of international operations, not just USAID programs to assist the poor currently included under Title I:
 - Environmental assessments should be required for all U.S. international operations, including the Export-Import Bank and the Trade and Development Agency, that could have a significant environmental impact, with appropriate procedures to exempt emergency situations.
 - The bill should link trade with sustainable development: it must recognize that completely free trade does not exist, that markets do not function flawlessly, and that without some compensatory rules, trade can threaten sustainable development.
- IV. Sustainable development must receive a much greater funding priority in U.S. foreign assistance:
- V. Other Problems:
 - The bill lacks clear objectives for all programs, and the extremely general language and vagueness about implementation are a cause for concern.
 - The role of USAID is still not clearly defined in the bill.
 - Population funding is not clearly defined and may be used for other related areas.
 - The bill dances around the relationship between sustainable development and the IFIs. There is mention of the need for transparency and accountability, but nothing to encourage the IFIs to adopt sustainable development as a goal of revamped structural adjustment policies.
 - The "early warning" system used by the U.S. Government to detect potentially damaging projects funded by the Multilateral Development Banks, should be renewed and strengthened by the bill.
 - In terms of humanitarian relief, the bill needs to emphasize disaster prevention, not just disaster relief.

Working for the Nature of Tomorrow



NATIONAL WILDLIFE FEDERATION

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**Statement of Barbara J. Bramble
on behalf of
the National Wildlife Federation
and the Sierra Club
before the Committee on Foreign Affairs
of the U.S. House of Representatives**

February 9, 1994

I. Foreign Assistance is in the U.S. national interest if it is based upon the critical imperative of the late 20th century — fostering economically, socially and ecologically sustainable development.

The first question you want to address today is "why is Foreign Assistance in the U.S. national interest?" The National Wildlife Federation bases its support for international assistance upon the mounting evidence of environmental degradation around the world, and the still growing numbers of poor people whose blighted hopes form an undercurrent of instability in the relations among governments and peoples. There can be no doubt that we, as a nation committed to the principles of democracy and equal opportunity, and rich beyond the dreams of most people on earth, have a moral obligation to help improve the quality of life of people in other nations. But if we fail to honor this moral obligation, we will face the purely practical problems of arming ourselves and paying the far higher bills for the defense of our privileges, and finding methods of combatting global climate change, loss of biological diversity and pollution.

That then leads to the question of what kind international assistance has a chance of being effective in addressing the staggering global proportions of poverty and environmental degradation. We believe the principles of environmental, socially and economically sustainable development, as worked out over the past decade, and as incorporated in portions of this bill, hold out more promise of hope than we seen in decades.

II. The Clinton Administration's efforts to reform U.S. foreign assistance programs have achieved a number of successes, both by including needed reforms in the draft foreign aid legislation and consulting extensively with Non-Governmental Organizations (NGOs).

The preparation of the "Peace, Prosperity and Democracy Act of 1994" included a beneficial consultative process with NGOs, and the final draft of the legislation incorporates many NGO concerns. The bill recognizes the importance of sustainable development, highlighting both environment and population as priorities. The recognition of global environmental degradation and rapid population growth as threats to global security and well-being demonstrates a marked advance in U.S. foreign assistance policy.

Development assistance funds are "walled off"; we are very pleased that development assistance has been protected in the Administration's bill. Considering that a comparatively small amount of funding goes for sustainable development projects -- about \$2 billion -- we cannot afford to take any of these precious funds and use them to meet other, shorter-term goals. Similarly, requiring a separate military assistance authorization for programs administered by the Department of Defense is a positive step.

The bill now acknowledges the importance of people-to-people participatory development, especially for women and indigenous groups, and highlights the importance of public access to information about development projects and programs. Also, the bill acknowledges the need for transparency and accountability from the International Financial Institutions (IFIs).

Environmental impact assessments are required for all sustainable development programs, as well as for the Overseas Private Investment Corporation. Environmental impact statements are a useful tool for ensuring that development is indeed sustainable and does not significantly damage the environment. But, in spite of these advances, many problems remain.

III. Sustainable development should be the overall goal of international operations, not just USAID programs to assist the poor which are currently included under Title I.

In the post-Cold War and post-Earth Summit world, all nations have the obligation to promote Agenda 21 and sustainable development, at home and abroad. That means our export financing, trade and development funding, food export promotion, refugee assistance and peace keeping should all be screened to determine if there are better or worse ways to accomplish these goals, so as to promote sustainable development, or at least to be neutral in effect.

Environmental impact studies should be required for all U.S. international operations that could have a significant environmental impact. Environmental impact assessment is one way to efficiently implement the screening of international operations. Procedures can be developed to identify those projects which are likely to cause significant impact on the human and natural environment, so that full-blown environmental impact studies are carried out only when needed; the procedures would also exempt emergency situations and those where compelling national security objectives would be compromised by implementing a

brief environmental assessment process. Allowing for these exceptions, environmental assessments should be required for all programs authorized under the bill, such as the Trade and Development Agency, the Export-Import Bank and building democracy. The bill should also recommend that environmental impact studies be required for those programs authorized under other committee jurisdiction, such as P.L. 480, which is mentioned in a policy statement in the bill.

The bill should link trade with sustainable development; it must recognize that completely free trade does not exist, that markets do not function flawlessly, and that without some compensatory rules, trade can threaten sustainable development. In order for really free trade to exist, certain pre-conditions are essential, such as that products would have to be sold including their full environmental and social costs, consumers would need to have full and open access to information, and labor rights would have to be enforced. As these conditions are inordinately difficult and almost never met, the U.S. must accept the need for some compensatory rules to reduce the potentially damaging environmental and social effects of unregulated trade.

As demonstrated by the North American Free Trade Agreement (NAFTA), the relationship between trade and the global environment must be taken into account. The NAFTA calls for the United States, Canada, and Mexico to conduct trade "in a manner consistent with environmental protection and conservation," and so as to "promote sustainable development." This bill should not be an old-fashioned commitment to "free trade," as it appears in Sec. 5001. Above all, the Committee should keep in mind that trade is a means to achieving improved quality of life for our citizens, not an end in itself.

IV. Sustainable development must receive a much greater funding priority in U.S. foreign assistance.

While sustainable development is considered an objective of this international engagement legislation -- a move which we wholly applaud -- the goals of sustainability cannot be realized without the needed financial resources. Despite the Administration's emphasis on sustainable development, funding for development assistance continues to be one of the smallest parts of the function 150 account. Recent attempts in Congress to cut the deficit have disproportionately targeted AID; the Penny-Kasich amendment would have slashed AID by over 25 percent. While this committee does not appropriate, you can provide a clear directive as to how funds are allocated.

Global challenges affecting the very basis of human lives present perhaps the gravest threat to improving quality of life for the world's people. Environmental degradation, rapid population growth, poverty and hunger present the biggest obstacles to human happiness for billions of people, and yet these programs continue to receive by far the smallest proportion of funds. We urge you to seriously reconsider international funding allocations within this account and increase significantly assistance for sustainable development programs, including population, environment, education -- especially of women and girls -- health and nutrition, micro-enterprise

and sustainable agriculture. Along these lines, given the end of the Cold War, we hope that military assistance continues to decline and would urge the reallocation of these funds to sustainable development.

We have difficulty explaining to members of the National Wildlife Federation that perhaps \$2 billion of the US international affairs budget goes to make the planet a more economically, environmentally and socially sustainable place, (i.e. "sustainable development") but that the majority of the funding goes to something else -- what should we call it? "Unsustainable development?"

V. Other Problems

The bill lacks clear objectives for all programs, and the extremely general language and vagueness about implementation are a cause for concern. Many of the programs included in the bill are not clearly delineated in terms of authority and guidelines for implementation. The bill as a whole should reflect the level of specificity of the language used in Title V, Chapter I - Overseas Private Investment Corporation. For instance, when Title V, Chapter 2 - Trade and Development Agency is juxtaposed with Title V, Chapter 1, it resembles more a policy statement than a law. This is true of much of the bill.

The role of USAID is still not clearly defined in the bill. While sustainable development programs are highlighted in Title I, the agency which will carry out these programs is not mentioned -- the U.S. Agency for International Development (AID). This should be remedied. Also, we hope that the legislation will authorize AID to carry out its work in sustainable development without excessive complications due to shorter term political objectives on the part of the Department of State.

Population funding is not clearly defined and may be used for other related areas. While we applaud the highlighting of population in the bill, and the recognition of the interaction among relevant factors that impact on fertility, we have some concerns about how population funds will be spent. NWF and other population advocates have encouraged policymakers to broaden their understanding of population to go beyond family planning, because issues such as women's economic status, literacy and child survival impact decisions about family size. A focus on these issues, and how they relate to family planning and reproductive health, is all to the good.

However, as written, Section 1102 (b)(4)(B) implies that child survival programs could be funded with family planning/reproductive health funds. While these programs should be intimately coordinated, it would greatly weaken critical population programs to take scarce funds from one program, and use them for another. We are also very concerned that funding for related programs such as women's literacy will be drawn from the limited population budget. It is important to note that the worldwide need for family planning funding has been calculated by the United Nations to be at least \$9 billion by the year 2000, and the U.S. is only about halfway to meeting our fair share of this budget. Therefore, this kind of fungibility between

programs does not make sense for AID.

The bill dances around the relationship between sustainable development and the IFIs. There is mention of the need for transparency and accountability, but nothing to encourage the IFIs to adopt sustainable development as a goal of revamped structural adjustment policies. The classical structural adjustment model prescribed by the IFIs for the debtor nations of the developing world contributed to the 1980s "lost decade of development." Those structural adjustment programs have been devastating for the world's poor, and have caused a setback in development, and should therefore not be given an endorsement in the bill. Obviously adjustment is needed in the economies of most countries, but must be carried out with studied care to prevent disproportionate harm to the poor and the environment. This bill should make it clear that it is U.S. policy to promote a form of adjustment that does not hinder sustainable development.

In addition, the bill should acknowledge over 10 years of hearings and investigations by other committees of the Congress, which found the environmental and social performance of the IFIs to be not only inadequate, but at variance with U.S. bilateral policies. The bill should make it clear that while some of reforms have been made by some of the IFIs, further changes are needed, on both structure and operations, so that their activities promote sustainable development.

The "Early Warning System" used by the U.S. Government to detect potentially damaging projects funded by the International Financial Institutions, should be renewed and strengthened by the bill. We recommend that the Early Warning System tracking list be maintained to promote transparency and environmental sustainability in the IFIs. AID, in cooperation with the U.S. Treasury Department, has established a system of tracking IFI proposed projects through the AID missions and U.S. embassies located in the developing world. The Early Project Notification System, often referred to as the "Early Warning System," was formally established by the U.S. Congress in 1987 to provide information about environmental and social impacts of proposed projects in advance of the loans coming to the IFI board for approval. If this bill eliminates the Early Warning System that will end the public disclosure, which results from the project tracking list and the reporting requirement to the U.S. Congress of projects actively being considered by the IFIs.

In terms of humanitarian relief, the bill still needs to emphasize disaster prevention, not just disaster relief. The bill does not recognize the relationship between disaster prevention, disaster relief, and an appropriate follow-up to prevent a recurrence; emphasis is placed squarely on relief, with no attention at all given to disaster prevention or follow-up. The bill should recognize that promoting sustainable development and decreasing environmental degradation are means for preventing or mitigating humanitarian crises. The bill should also emphasize other disaster prevention measures, such as local capacity building.

The provisions of the Development Fund for Africa (DFA) in the bill are weaker than current law. Along with the African Famine Relief and Recovery Act, the existing DFA

law provides people-centered assistance to Sub-Saharan Africa and outlines as critical priorities sustainable agricultural production and natural resources management. Current law also wisely requires AID to establish an "Africa Fund" for: maintaining and restoring the renewable natural resource base; voluntary family planning services; and improving health conditions -- all three critical needs for Africa. Also, the current DFA law contains language that requires local participation and the participation of African women, not simply that they be "taken into account" as this bill states. We urge the committee to retain the programmatic provisions of the DFA as it is written under current law. We also recommend that the separate authorization for Africa be maintained.

EXECUTIVE SUMMARY

**Statement to the House Foreign Affairs Committee
on "The Peace, Prosperity and Democracy Act of 1994," HR 3765
by David Beckmann, President, Bread for the World
February 9, 1993**

Bread for the World, a anti-hunger network of 44,000 members nationwide, believes that the most urgent problems the world faces today are persistent poverty, environmental degradation, and the lack of effective citizen participation. For more than a year, we have been calling upon the Administration to work with Congress to revamp foreign aid for the post-Cold War world by making sustainable development which reduces hunger and poverty in environmentally sound ways the leading purpose of U.S. foreign aid. As part of this effort, we worked with Rep. Doug Bereuter (R-NE) and Rep. Tony Hall (D-OH) to introduce the **Many Neighbors, One Earth** resolution, H. Con. Res. 100, which lays out broad principles for foreign aid reform. In all, 160 members have signed onto the resolution, including 29 members of the House Foreign Affairs Committee.

Bread for the World therefore welcomes the submission of the administration's foreign aid reform bill. We are pleased that many of the principles promoted by H. Con. Res. 100 are reflected in the bill. However, in order to enhance the sustainable development focus of the bill, we recommend the following changes:

- Policy statements as well as concrete mechanisms should be adopted that ensure that sustainable development is supported -- or at least not undermined -- by all foreign aid programs, including those not governed by this statute. We

are especially concerned that aid channeled through the World Bank and other international financial institutions support sustainable development.

- The sustainable development policies and priorities outlined in Title I, already quite strong, might be further strengthened through: greater elaboration of the program activities to be pursued under the four objectives; a policy statement urging U.S. leadership in achieving the goals of global conferences on the environment, nutrition, children, and women; a microenterprise program more focused on small loans to the poorest entrepreneurs, especially women; and several additional improvements.
- The bill should establish the Agency for International Development as the agency principally responsible for developing and implementing sustainable development as well as humanitarian assistance policies and programs. The bill should also require the AID Administrator to report directly to the President.
- All foreign aid programs -- not simply sustainable development programs, less than 20 percent of the budget -- must be subject to evaluation, monitoring and accountability. Most should also be subject to environmental impact assessments.
- The bill must be accompanied by an adequate allocation of resources for sustainable development. In addition, we support a designated amount of funding for the Development Fund for Africa, which governs U.S. aid to the world's poorest region. We also urge reduced levels of military assistance.

**Statement to the House Foreign Affairs Committee
on "The Peace, Prosperity and Democracy Act of 1994," HR 3765**

**by David Beckmann, President
Bread for the World**

February 9, 1993

Bread for the World is a Christian citizen's movement of 44,000 members committed to overcoming hunger both in the United States and overseas. We do not provide direct services or conduct development programs overseas; instead, we work to influence the U.S. government's response to hunger and poverty. But rather than promote responses that only feed hungry people and expand the social safety net, we focus on the root causes of hunger, in order to wipe out hunger at its source. It is through this commitment that we have come to focus on "sustainable development." We believe that sustainable development is the answer to the most urgent problems facing the post-Cold War world: the chronic hunger that afflicts one out of seven people and the persistent poverty that afflicts one out of five; environmental degradation, often rooted in maldistribution of land and resources, that threatens the planet; and the marginalization of people from economic and political decisions that affect their lives.

The Administration has titled its foreign aid reform bill the "Peace, Prosperity and Democracy Act of 1994." We believe that support for sustainable development may be the most effective way to achieve global peace, prosperity and democracy. If inequality and desperate poverty continually give rise to turmoil and armed conflict, how can we have peace and stability? If one out of five people do not earn enough to meet their own basic needs, how can they become consumers of products and services from the U.S. and elsewhere? If they lack basic education or access to information, how can they effectively participate as citizens in their societies? If we fail to address conditions which give rise to conflict and famine, how can we prevent more Somalias and Bosnias from taking countless human lives and draining scarce resources?

Thus there is a compelling self-interest behind promotion of sustainable development overseas. But the reasons must go beyond self-interest. Hungry and poor people are part of our global community. We have a moral obligation to help them help themselves. Their suffering is our pain, and their prosperity and well-being will be ours as well.

Bread for the World welcomes the submission of the Administration's foreign aid reform bill to Congress. For more than a year, we have been urging the Administration and Congress to reform U.S. foreign aid for the post-Cold War by making

sustainable development which reduces hunger and poverty in environmentally sound ways the leading purpose of U.S. foreign aid and to reflect this priority in budget allocations. We worked closely with Mr. Bereuter and Mr. Hall to introduce and promote a concurrent resolution, H. Con. Res. 100, also known as the **Many Neighbors, One Earth** resolution, that lays out general principles for reform along these lines. In all, 160 Representatives have signed onto the legislation -- 29 of them members of this committee. We thank those members present for your support and look forward to working with you in shaping the reform bill.

The **Many Neighbors, One Earth** legislative campaign has had broad grassroots support. Bread for the World members throughout the country have sent an estimated 90,000 letters to Congress in support of it. The campaign has also been adopted by a range of development, environment, and other organizations with their own sizeable memberships, such as the National Wildlife Campaign and the National Peace Corps Association. We hope that these efforts have helped to convince Congress and the Administration that there is a sizeable constituency that supports foreign aid reform helps poor people overcome hunger and poverty and protect the environment.

The new bill goes a long ways toward these goals. We are pleased that the new bill features the promotion of sustainable

development as its first Title. We also applaud the fact that the bill incorporates many of the recommendations that Bread for the World in conjunction with other NGOs made on the earlier discussion draft. In particular, we welcome the explicit references to poverty reduction and the improved language on participation in Title I and the decision to exempt funds for sustainable development from transfers to other objectives of foreign aid.

Yet as we review the bill, we continually ask ourselves, "What difference will it make for hungry and poor people?" From that perspective, we feel that the legislation must be further strengthened in a number of areas. Below, we outline several major concerns.

Enhanced Resources for Sustainable Development. First and foremost, unless the reform bill is accompanied by an adequate allocation of resources for sustainable development, it will simply be an exercise in "rearranging the deck chairs on the Titanic." Despite our efforts to protect and expand funding for development assistance to poor regions of the world, we have seen resources for these programs substantially erode over the past year, even as funding for other regions grew or stayed constant. Budget-cutters in the Administration and in Congress continue to target these accounts for rescissions.

The administration has made much of the fact that the reform bill replaces specific country interests with broad strategic objectives. But the reform bill makes rather major exception for countries which enjoy, as State Department officials routinely put it, a "special relationship" with the United States -- namely, the former Soviet Union and Israel and Egypt. Together, aid to these countries account for a substantial proportion of the foreign aid budget. We believe that the United States should also pursue a "special relationship" with the poorest people of Africa, Latin America and Asia and that this should be reflected in the level of resources committed to promoting sustainable development in these regions.

Within allocations for sustainable development, we support a designated amount of funding for the Development Fund for Africa, which governs U.S. bilateral aid to the world's poorest region. Congress should make every effort to appropriate \$900 million, the level approved by the House in its FY 1994 foreign aid authorization bill. Bread for the World does not at this time support earmarking of other funds within sustainable development, as long as the reform bill establishes clear program priorities focused on equitable, participatory and environmentally sound development.

As we examine the President's FY 1995 budget request for foreign aid, we are troubled that, among the few reductions

proposed, most are concentrated on programs that directly help the hungry and the poor. The budget proposes to slash the two food aid programs -- Titles II and III of PL 480 -- that provide emergency and development assistance to poor countries by \$169 million, a 15 percent reduction from current levels. It also proposes to decrease funding levels for broad-based economic growth by \$67 million, a 5 percent reduction. This category funds health, child survival, education, housing, microenterprise, agricultural development and many other programs that invest in poor people's productivity and increase their earning power. Yet the budget recommends increased spending for the other sustainable development categories of environment, population and democracy as well as for nearly all other foreign aid programs. Thus, the administration's approach to sustainable development clearly puts greater emphasis on the more fashionable "transnational problems" of environmental degradation and population growth than on the problems of hunger, persistent poverty and growing income inequality. Both are important.

Title I, Sustainable Development. While we are encouraged, by the improvements made to this title since the discussion draft. We recommend the following additional changes:

- The programs and activities that would be pursued under the objectives of "Encouraging Broad-based Economic Growth" and "Protecting the Global Environment" still need more precise

definition in order to ensure that they do indeed increase economic opportunities for poor people, enhance their food security, and address the links between poverty and the environment. The bill failed to incorporate any of our earlier proposed language related to equitable distribution of income and assets and fails to include land among the productive resources that the poor need access to.

- As we mentioned above, we are concerned about the relative priority among the four objectives, which is partly reflected in trends in budget allocations. While we appreciate that AID is taking a more integrated approach to the four objectives than it has in the past, we do not want to see less attention to increasing economic opportunities for poor people and helping them gain access to their basic needs.
- We support efforts to refocus the language of Sec. 1104 on Microenterprise on "poverty lending" that targets small entrepreneurs in the informal sector, especially women, and limits a share of the loans to \$300 or less. We also support the creation of a centralized fund that would channel resources through U.S.-based as well as indigenous non-governmental organizations.

- Although we are pleased that the bill highlights the pressing development needs of Africa and the U.S. role, we are disappointed that similar language concerning development needs in Asia and Latin America is not found in the bill. In particular, we believe that U.S. aid can help alleviate the high incidence of undernutrition among poor women and children and the prevalence of micronutrient deficiencies in South and Southeast Asia. Moreover, economic and social progress in the Asia-Pacific region is threatened by rapid population growth, urban sprawl, environmental degradation and, in many countries, a growing gap between rich and poor. Regarding Latin America and the Caribbean, the bill should make reference to the need for post-conflict reconstruction in Central America and the need to address inequality throughout the region. In South America, in particular, successive administrations have subordinated sustainable development to drug interdiction efforts.

- We urge that language be added calling upon the U.S. to exercise leadership in building global commitment toward achieving goals established at recent global conferences, including the 1992 International Conference on Nutrition, the 1992 United Nations Conference on Environment and Development, the 1990 World Summit for Children, and the 1985 World Conference on Women.

- We recommend that evaluation, monitoring and accountability procedures for sustainable development programs be modified to include a prominent role for non-governmental organizations. We also caution that the section on "Measuring Results" (Sec. 1102) take into account that sustainable development is by definition a long-term process and may not yield quick, quantifiable results. Some of the most critical elements of sustainable development -- such as people's participation -- are difficult to measure.

- We appreciate that Sec. 1301 recognizes the need for international financial institutions to reinforce sustainable development objectives. But we urge additional findings that recognize existing efforts to improve the openness and accountability of these institutions, and the importance of these efforts to promoting sustainable development.

Coherence among various aid programs with sustainable development goals. Every U.S. foreign aid program has a potential impact on sustainable development. Therefore, we are disappointed that the reform initiative is not more comprehensive in scope, covering aid programs governed by statutes other than the Foreign Assistance Act of 1961, such as food aid and lending operations of international financial institutions. We are also disappointed that, within the proposed bill, sustainable

development is not the central organizing principle for all of U.S. economic assistance abroad, including aid to the former Soviet Union and the Middle East as well as trade and investment assistance.

Assuming that Congress agrees to accept these parameters, however, the bill should take steps to ensure that sustainable development is promoted by all U.S. aid wherever possible -- or at least not undermined. This should occur at two levels. First, the bill should adopt concrete mechanisms to ensure that aid programs not governed by this act that are intended to serve the objective of sustainable development in fact do so. We are especially concerned that U.S. aid channeled through the World Bank and other multilateral development banks support sustainable development; policies and projects promoted by these institutions have too often undermined sustainable development by widening the gap between rich and poor and by failing to protect the environment. We suggest that any coordination mechanism assign a principal role to the Agency for International Development, as the lead agency responsible for sustainable development policy and programs, perhaps in conjunction with the Under-Secretary of State for Global Affairs and the Under-Secretary of the Treasury for International Affairs. We also recommend that any such mechanism include a role for non-governmental organizations. We would be happy to work with you to design an effective mechanism.

The reform legislation should also ensure that aid programs serving other objectives are not working at cross-purposes with the objective of sustainable development. It does not make sense for, say, USAID to be helping Third World farmers adopt agricultural production methods that minimize the need for chemical inputs if the OPIC is extending assistance to a U.S. company to expand its market for fertilizer in the same country. We recommend that the same or a separate mechanism be established for the purpose of ensuring that all the programs governed by this statute are compatible with sustainable development goals; again USAID should play a leading role, and non-governmental organizations should be involved.

Reduced Levels of Military Assistance and Additional Restrictions on Military Aid. Just as we want to see more money for sustainable development, we also want to see less for military or other security assistance. We are very glad to see that the reform bill, unlike the earlier discussion draft, requires that military assistance levels within Titles II and III be specifically authorized and appropriated. This change reestablishes Congress' role in determining military aid levels. But there must be a corresponding commitment to reducing the absolute amount of military assistance.

We are concerned that the President's FY 1995 foreign aid budget proposes increased spending for "regional peace and

security" and for "narcotics, terrorism and crime prevention" -- since it is unclear whether these represent increases in military or economic aid. With the Cold War now several years behind us and with peace process in the Middle East underway, there is less and less rationale for high levels of military assistance. We urge Congress to make every effort to shift those funds to peaceful purposes in all countries and regions receiving assistance. Such purposes should include disarmament, demobilization of armed forces and conflict resolution as well as sustainable development. However, we do support increased contributions to multilateral peacekeeping operations.

The reform bill should also take steps to strengthen the standards for judging a country's record on democracy and human rights and make these a condition for receiving U.S. military assistance or arms sales. We urge you to incorporate the McKinney-Hatfield Code of Conduct bill into the act; this bill bars any U.S. strengthening through military aid or arms sales of the armed forces of governments that are not democratic and do not respect human rights. We also urge Congress to adopt proposals linking U.S. military aid and sales as well as multilateral financial aid to countries' progress in reducing military spending and the size and power of armed forces.

Title IV, Providing Humanitarian Assistance. We believe that U.S. aid programs must make greater efforts to bridge the

gap between short-term relief and long-term development. We are therefore pleased that the bill authorizes the use of short-term disaster assistance for reconstruction and rebuilding institutions. But we also recognize that such responsibilities could further strain already stretched resources for disaster assistance, so we ask the Congress to work with the Administration to identify the appropriate source of funding for these activities from among disaster assistance, sustainable development assistance, or the countries-in-transition initiative.

We also urge the policy language on humanitarian assistance be strengthened by adding guiding principles emphasizing the provision of assistance to the most needy, on a non-discriminatory and non-partisan basis, and that assistance programs maximize the use of locally available resources. Specific language on such principles was included in the NGOs' earlier comments on the discussion draft legislation.

AID's independence and authority. We are pleased that the proposed bill recognizes the Agency for International Development; the existing statute nowhere mentions the Agency despite the fact that it administers most of our bilateral economic assistance. As we stated above, we are also pleased that funds for sustainable development will be protected from transfers to other objectives. But, in our view, these two

subject to monitoring, evaluation and accountability. They are also the only programs subject to environmental impact assessment. Thus, although sustainable development receives a minor and diminishing share of foreign aid resources, it is held to a higher standard than other foreign aid programs. More than 80 percent of our foreign aid budget goes unevaluated, unaccountable, and unscreened for environmental impact.

We therefore urge that evaluation and accountability procedures be developed for each title of the bill to ensure that the programs authorized are indeed serving their respective objectives. We also urge that all environmental impact assessments be required for all relevant programs in this bill, with the exception of humanitarian assistance, where such assessments could hamper the timely delivery of aid.

Furthermore, we urge this committee to take seriously its oversight responsibility for foreign aid. Regular monitoring of our aid programs in relation to their mandates would also provide opportunities for citizens' organizations to share our experience and insights about their performance.

These are our major concerns based on an initial review of the reform proposal. We are currently undertaking a more thorough review and will develop specific recommendations and language suggestions by section, which we will provide to the Committee at a future date. Thank you for the opportunity to share our comments on the reform proposal.

STATEMENT OF TONY BARCLAY
 PRESIDENT, DEVELOPMENT ALTERNATIVES, INC.
 AND
 CHAIRMAN, INTERNATIONAL DEVELOPMENT TASK FORCE
 PROFESSIONAL SERVICES COUNCIL
 before the
 COMMITTEE ON FOREIGN AFFAIRS
 HOUSE OF REPRESENTATIVES

February 9, 1994

Introduction

Mr. Chairman, Members of the Committee, thank you for this opportunity to comment on the Peace, Prosperity, and Democracy Act of 1994. As chairman of the Professional Services Council's task force on international development, I represent a group of 38 private firms which provide technical, analytical, and management services to the U.S. foreign assistance program. In a personal capacity, I lead an employee-owned firm which has 240 staff serving worldwide, and a 24-year record of working closely with developing country institutions, AID, and other international agencies.

Companies in our industry employ thousands of highly trained professionals who have made a career commitment to the development process. Many of us - as was true in my own case 26 years ago in Kenya - began our overseas involvement in the Peace Corps or other forms of voluntary service. Today, we work in organizations which reflect the strengths of America's services industry: innovation, technical excellence, a strong customer orientation, and a commitment to quality. Vigorous competition keeps our industry lean and cost-effective, and responsive to changes in the international environment.

These attributes are critical to successful performance in foreign assistance and other programs financed by the United States Government. Our task force's parent organization, the Professional Services Council, has played a leading role in advancing improved procurement practices based on the principles of best value and evidence of prior performance. The Vice President's National Performance Review highlights the need for procurement reform as a tool to raise the standard of performance across all Federal Government agencies.

Why Redefine and Reform Foreign Assistance?

We understand the difficult task the Committee is undertaking in its efforts to act upon a new foreign assistance bill. With senseless crime rampant at home, and its legacy of children exposed to drugs and guns in far too many neighborhoods, a persistent deficit, and an unresolved health care debate on all our minds, we know that people often wonder why hard-earned tax dollars should be spent to solve problems of other countries.

Yet the need to act -- to foster peace, democratic institutions and economic progress in troubled countries - is clear. Internationally, finding solutions to the complex issues surrounding the demise of the Soviet Union and the emergence of fierce nationalistic rivalries in societies in Central and Eastern Europe that are at the same time burgeoning democracies is imperative, if we are to have peace in Europe. Outside of Europe, as the world emerges hesitantly into a new configuration, some developing countries which were at once the political pawns and the moral battleground of the preceding era, are at even greater risk. They are in danger of being forgotten, and, once forgotten, devolving into economic bankruptcy and political anarchy, spewing out refugees and undoing the fragile balance of order in broader geographic regions.

Mr. Chairman, these challenges underscore the need for major reforms in way the U.S. plans and delivers foreign assistance. The work of this committee five years ago persuasively established that need - and the problems experienced since then only confirm the high cost of delayed action. We are delighted that the Administration has come forward with new legislation, and we support its overall thrust and content. In terms of meeting the requirements for fundamental reform, let me focus my comments on the two concerns which new authorizing legislation must address under Titles I through IV, for which AID is the primary implementing agency:

- Does the new bill state clear objectives for addressing critical problems that are of serious concern to the American people?
- Does the new bill demonstrate that foreign assistance will be more effective in meeting its stated objectives?

After addressing these points, I will close by proposing a modification to Title V of the bill regarding the objectives of the Trade and Development Agency.

Does the New Mandate Have Clear Objectives?

The broad picture of foreign assistance painted in HR 3765 builds upon many lessons that have been learned by the United States over the years, through the Marshall Plan, Point Four and U.S. foreign assistance programs carried out, over the past 30 years by AID, the Peace Corps, OPIC and other elements of the U.S. government. As that picture makes clear:

- Broad-based economic growth, both in transitional economies and in developing countries, is essential, if these nations are to reach the point where they can maintain and advance their own social and economic development;
- Rational environmental practices are fundamental to sustainable economic growth, not only in the countries we assist but also here at home;
- Reasonable rates of population, which correlate well with general economic advances and most specifically with educational advances, are essential, if economic growth is to result in improvements in standards of living, and
- Self-governance through democratic institutions is not only universally desired, it is the solid ground upon which systems that foster the economic and social development thrive.

We endorse these broad purposes, and we support as well the call for measures of program performance offered in HR 3765. The Principles laid out in Section 1102 reflect a practical approach to these problems by involving local institutions and key stakeholders, especially women, directly in the problem-solving process.

Our principal concern is the lack of specifics in the Sustainable Development Title, regarding both the content and the results of activities to be undertaken. The section on Broad-Based Economic Growth, for example, contains a list of general objectives but says almost nothing about how they will be achieved. Curiously, there is no mention of the indigenous private sector's role in economic growth; of the importance of agriculture in the livelihoods of most poor people, particularly women; or of the complex issues affecting land use and natural resource management in peri-urban areas and fragile semi-arid lands. There is no reference here, or in the section on Environment, to the issue of energy conservation or the development of

alternative sources of energy. Titles II, III, and IV are adequate in stating broad goals, but also lack specifics.

The fact that the bill avoids detailed prescription for these activities cuts two ways. On the one hand, it reflects the intent of the Congress to unburden AID from earmarks and supply-driven programming. This change is fundamental to the whole process of reform, and we strongly support the idea that the agency must be given much greater flexibility in planning and implementing its programs. Thus there are valid reasons why very detailed, itemized lists of activities should not be written into this legislation.

On the other hand, with this open-ended language the bill does not indicate how AID will make inevitable hard choices for deploying limited resources. This may lead to problems if specific appropriations requests cannot be matched with general objectives which have no measurement criteria. It also complicates AID's task in furnishing periodic reports to the Congress (Section 7306) on progress toward Sustainable Development goals.

AID has begun to close this gap with its strategy papers and operational guidelines, but these too remain very general. They should provide an important foundation for better defined objectives, performance measures, and timelines. As partners with AID in carrying out development assistance, our members are ready to assist in sharpening the focus of programs for Sustainable Development and the other titles of the Act.

Will U.S. Foreign Assistance Be More Effective?

To invoke the central theme of the National Performance Review: does the bill help AID to become a government agency that works better and costs less? We believe it should. Achieving greater development impact for the taxpayer's dollar is a critical outcome of the reform process. The fact that Administrator Atwood has designated his agency as a "reinvention laboratory" demonstrates the scope and urgency of needed change.

Yet the authorizing legislation does not show even the silhouette of a reinvented agency. It does not accurately reflect how AID gets its work done now, or how it will in the future. Over the past two decades, AID has evolved from a direct provider of assistance, with a large permanent workforce, into a wholesaler of development resources. As do many other government agencies, it relies on a wide range of institutions to fulfill the retailing function through direct interaction with its ultimate customers, who are people and institutions in developing countries.

Over this period many of the retailers - who include professional services firms, universities, PVOs, and NGOs - have developed strong relationships with overseas institutions, specialized expertise, and responsive, cost-effective management systems. As suppliers, these institutions tap the talent and commitment of American citizens, both career professionals and volunteers, to develop and carry out AID's mission.

Successful relationships with these suppliers, based on a partnership and shared commitment to development outcomes, are indispensable to AID's effectiveness. This point was highlighted in the National Performance Review, and is a common denominator in reinvention for other agencies, too. Under current practice, however, AID's pattern of managing for compliance with its extensive, home-grown regulations, rather than results has eroded confidence and trust. It has also raised costs and lowered efficiency levels among its own workforce and among its many grantees and contractors. Clearly, a new management paradigm is needed which empowers AID employees to concentrate on substance, and provides incentives for both accountability and excellent performance from all types of suppliers.

We believe the new bill should spell out the key principles of this new management paradigm. Instead, it offers an incomplete and contradictory picture, and carries a mixed message regarding the way that

AID deals with its main suppliers. For example:

- Section 8401 states that private enterprise should be used to the fullest extent practicable in obtaining goods and professional and other services;
- Section 8402 (c) undercuts this by allowing for separate procurement standards and procedures for universities; and
- Section 1102 (c) overlooks the private sector and the services industry altogether in its listing of U.S. institutional capabilities to support and carry out development.

Compartmentalized procurement rules that divide the development community will impede AID's effectiveness, rather than improving it. They are a holdover from a system dominated by special interests and earmarking, and a symptom of the problems this bill was intended to resolve.

Mr. Chairman, I am not here to make a special plea for professional services firms at the expense of anyone else. AID needs good will, long-term commitment, and high performance levels from all its suppliers. Under the new legislation, the agency should be encouraged to promote collaboration and teamwork among universities, services firms, and non-profit institutions. Here it can draw on successful models such as the GEMINI project for microenterprise, which combines the resources of two consulting firms, four PVOs, and a major U.S. university under a single contract.

To summarize, we believe the following win-win principles should be incorporated in the bill:

1. Maintain a level playing field for all types of suppliers.
2. Create incentives for all of AID's partners in the development community to collaborate across institutional lines.
3. Join the Office of Federal Procurement Policy and other Federal agencies which are pioneering new standards that emphasize performance.
4. After contracts and grants are awarded, empower suppliers to achieve high standards by streamlining requirements for compliance reporting.

The Role of Services in Meeting the Goals of Title V

Since 1980, the Trade and Development Agency (TDA) and its predecessor, the Trade and Development Program, have supported participation by the U.S. private sector in feasibility studies for economic development projects. By helping to fund such studies, TDA's goal has been to position U.S. firms to win follow-on contracts when these projects are financed. In practice, the program has confined its support to studies of industrial and infrastructure projects, on the grounds that these projects would generate the highest level of follow-on construction and equipment sales for American firms. At the multilateral development banks, trust funds provided by TDA have been reserved for feasibility studies of hardware-intensive projects, to the exclusion of potential service-intensive projects. This practice has denied use of MDB trust funds to American firms in the business of supplying economic, financial, educational and information systems services. The MDBs, which depend on the United States as a contributor of capital, are investing heavily in these sectors.

Our members believe that TDA support for feasibility studies of services sector projects will enhance long-term U.S. competitiveness. Enabling U.S. service suppliers to have an equal chance of entering projects

at the design phase will facilitate their participation in the growth of dynamic markets for decades to come. Although Section 5201 of the Act mentions the promotion of both U.S. goods and services, we would like to see more explicit language according equal treatment to both types of exports, enabling TDA to modify its traditional practice and thereby to tap the services sector, which generates a positive trade balance for the U.S., and represents the fastest growing element of our country's exports.

Thank you very much. I would be pleased to respond to any questions you may have.

ATTACHMENTS

List of Member Firms, Professional Services Council International Development Task Force
Development Project Profiles Illustrating the Role of Services Firms

PSC INTERNATIONAL DEVELOPMENT TASK FORCE

Key Representatives

Abt Associates Inc.	Gerard Martin and Stephanie Wilson
Agricultural Assessments	William Wigton
Associates in Rural Development	George Burrill and David Groenfeldt
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Booz Allen & Hamilton Inc.	Sylvia von Bostel
CDM International, Inc.	Ellis Turner
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Chemonics International	James Chapman and Thurston Teele
Clapp and Mayne, Inc.	Lawrence Posner
Command and Control Consulting	Owen Wormser
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Hager Sharp Inc.	Susan Hager
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Macro International Inc.	Bob Dahlin and Brad Dude
Management Systems International	Lawrence Cooley and Molly Hageboeck
Mathtech, Inc.	William Morrill
PADCO	Duane Kissisk
Prospect Associates, Ltd.	Victor Sierra
Science Applications International Corp.	Nicholas Trentacoste and Dash Sayala
TECHMATICS, Inc.	William Reese
The Development Group, Inc.	Mary Killeen and David Skipp
The Futures Group	Henry Cole
The Harris Group	Sewall Hoff
The Scientex Corporation	Eddie Neal and Jack Wilson
The Services Group	Phil Karp and Kishore Rao
Training Resources Group	Kathy Alison, Gerry Jangha, and Fred Rosensweig
University Research Corp.	Tessie Catsambas and Julie Stagliano
Vail Research and Technology	Jeannine Vail
Walcoff & Associates, Inc.	Mary Shoman
Washington Consulting Group	Dr. Ramon Barquin and Carol Bell
Westover Consultants, Inc.	Thomas Pynn

Successful Projects in Development Assistance

Sustainable Economic Growth

Increasing Transparency in Chad's Market System

In Chad, road barriers imposed by provincial and local authorities sharply decreased the revenues of farmers, and further, increased the prices for products paid by consumers over the entire country. A successful AID project worked to change this situation. An American professional service firm worked with Chadian technicians to conduct in-depth analyses to outline the negative effects of the barriers, and collaborated through private sector groups and regional seminars to convince the Chadian government to abolish the road barrier practice. Once the laws were changed, the project did not declare victory and stop at that point. Services professional developed a communications campaign to inform small traders, truckers, and farmers in every province of the new law. The word was spread by radio, newspapers, and farmers' associations. Having been educated of the new law, small entrepreneurs and consumers were empowered to stand up against unlawful "shake-downs," when agricultural products were moved to market.

Sustaining Financial Institutions in Indonesia

Working primarily through provincial development banks and the Bank of Indonesia, the Financial Institutions Development (FID) Project trained nearly 14,000 people from small financial institutions (SFIs) between 1986 and 1993. SFIs, which disburse average loans of \$132, and maintain savings accounts with average balances of \$32, made over 10.5 million loans during this period. A FID-financed services professionals assisted in every aspect of the project: rural financial intermediating, savings mobilization, bank auditing, field operations, training, information management and systems upgrading. The project's accomplishments were realized in a profitable system across seven Indonesian provinces. As a result, the Bank of Indonesia plans to give more support to the SFIs, and the government, private sector, and donors are eager to replicate the FID experience in more provinces and other countries.

Democratic Participation

Improving Elections in Honduras

In 1989, Honduran National Elections were successfully executed as a result of a public education campaign and technical support to the National Elections Commission. In advance of the elections, research lead by a professional service firm found that the Honduran people were cynical about the election and were largely unaware of the importance of democratic elections and poorly informed of the process for registering and voting. Following the survey of voter opinion, a highly visible national media campaign addressed those concerns uncovered through the research. Services professionals developed a publicity plan which educated the public about the voting process and highlighted the important dates for registering and voting. As a result of training, technical assistance, and computer support service to the National Elections Commission provided by professionals, the election day processes went smoothly. A consortium of organizations, including two professional services firms and an American university, worked together to plan and implement this valuable AID project.

Environment

Near East Awareness of Global Issues for the Environment

As one of the most successful AID efforts in mobilizing national and regional momentum in the Near East, this AID project tackled environmental issues of global import. With a goal of raising awareness and supporting positive policy changes, a professional service firm provided expertise to the agency on processes for development of national environmental strategies, researched the environmental private sector, and assisted in developing information systems to standardize environmental assessments. Midway through its five-year life, results from the technical assistance include an increased public awareness of environmental problems such as water resource storages as well as air and water pollution. This awareness has stimulated the development and utilization of methods for addressing them. In many Near East countries, these methods are being used with great success.

Population

Resources for the Awareness of Population Impacts on Development

Due in large part to AID's efforts over the past twenty years, the fertility rate in the lesser developed countries of the world has fallen from 5.7% in 1970 to 4.4% today. By demonstrating through a specialized computer simulation to leaders of countries around the world the impact of population growth on the prospects for development, policies in many countries have been changed for the better. In the Cameroon, after the president saw a computer generated interactive presentation on the effects of population growth, he changed the country's policy literally the next day. These types of presentations have been given in over 40 countries. The project has been acknowledged as one of AID's most successful policy reform projects, as developed and implemented by a professional service firm, working effectively with a university and non-governmental collaborators.

Contraceptive Social Marketing III

AID is the world leader in designing social marketing programs to achieve sustainable development. Jamaica was the country of AID's first contraceptive social marketing project, where the market has been significantly expanded and the product brand names have been successfully sold. A private commercial company which will continue to offer low priced contraceptives through a privately funded social marketing program. The results of AID's social marketing projects include over 20 million couple years of protection, while achieving over \$13 million in commodity savings, due to the shift of program implementation from the public sector to competitively acquired private contractors. A professional service firm, private voluntary organization and private commercial company worked together as partners in this project.

Health

Quality Improvement Strategies in Chilean Ministry of Health

In three years, more than 2000 health professionals in Chile have received basic training in quality assurance in almost half of Chile's health districts thanks to a successful AID project. After initial quality awareness training among top-level managers by teams made up of international consultants and their Chilean counterparts, who subsequently provided training and technical assistance to managers and supervisors at the district level themselves with minimum outside assistance. Local funding from decentralized health services areas replaced the external funding that had been allocated for the first trainings. As a result, health professionals have been encouraged to meet with their clinic staffs to identify problems that affect the quality of their services and to determine the causes of those problems. The local team has developed a series of quality assurance modules which codify the methodology as it will be applied in Chile. Using this approach, 40 small quality improvement projects are underway, each beginning with formulation of a precise and operational definition of health problems or aspect of care to be improved.

THOMAS R. GETMAN
DIRECTOR OF GOVERNMENT RELATIONS
WORLD VISION RELIEF AND DEVELOPMENT

Thank you Mr. Chairman for this opportunity to testify on a topic of exceeding importance the reform of U.S. foreign assistance. Our ethical, moral and spiritual roots are being challenged by the need for a more effective, indeed collaborative transnational foreign assistance effort to protect and empower the poor and oppressed.

World Vision is one of the largest operational relief and development agencies. I am the Director of Government Relations. We are carrying the burden of battle on the humanitarian front in 96 countries. Particular World Vision teams are under the withering fire of Sudan, Zaire, Mozambique, Angola and Somalia, where we recently lost one staff member with four seriously injured by a clan bomb and military gunfire. This Reform Bill, however, is not likely to effect only our vulnerable field personnel but our over 20 million clients as well. The Foreign assistance and USAID reform that you will help to determine in the next months will impact lives (for good or for ill) for years to come.

Our efforts to deliver resettlement assistance in Zaire, against almost insurmountable odds, provides a backdrop for our contribution to this discussion on what kind of foreign assistance could truly serve U.S. interests. Reform is needed to move us out of a reactive era of operating in a crisis mode, too late to save lives and infrastructure. Presently we seem paralyzed to face complex disasters in advance. If you could witness what it takes to get food, shelter, the most minimal water and sanitation to threatened people in Zaire, and the surrounding countries, you would, I believe, spend your remaining days in Congress assuring that we are better organized as a nation for the task.

World Vision, seeking to be true to the new paradigms, is assisting the displaced to negotiate with the local government for the land provided for resettlement and agricultural rehabilitation. This is in keeping with Congress' recognition last year of the necessity to incorporate rehabilitation into disaster response. Yet we believe Congress needs to go even further. Bridging the gap between relief and development is a major component of the newly created Office of Transition Initiatives. Because of this important role the new office should be recognized in the authorizing legislation for this program under Title II, Chapter 1.

Andrew Natsios, our Executive Director, and David Taylor, our International Programs Director, recently visited the Kasai and Shaba regions of Zaire. After being held up at the Kinshasa airport for over 4 hours while soldiers and functionaries sought bribes, they saw hundreds of thousands of displaced people huddled around railway stations in the worst slum conditions imaginable fighting to get on the now unscheduled trains to anywhere, and literally to no-where. Once they are on the carriages of death, some in business suits and many in rags, 50-60 per trip die from suffocation, malnutrition, being crushed, or injured from hitting the tunnels while seated on the top of the rail-cars.

Our joint OFDA/World Vision \$4.1 million dollar distribution program of food, shelter, seeds and tools is an essential but sorry pittance against such suffering, once again being borne mostly by women and children. We have known about the fragility of Zaire and its abusive government for so long yet we could not get ahead of this killing game. And now our answer is to punish the government the U.S. propped up and thereby the innocent populace, by closing our aid mission. The Country Plan Process must somehow be maintained.

But further, we from the operational side of the house suggest that the purposes of the Reform Bill revolve around how to meet such challenges that face the world in this post Cold War Era. The chaos and instability in places like Zaire, Bosnia, Haiti and Palestine drive us to assert that our efforts together must be to diminish ethnic conflicts and regional hatreds as early as possible through every means at our disposal, and to provide more equity between the middle income and poorest country recipients. If we continue to direct half of our assistance to the Middle East and NIS we will build greater dependence there and increasing hostility and cynicism among our poorest neighbors and other donors.

Certainly the new office of Countries in Transition is a great step forward in grabbing this nettle, if in fact the bureaucratic intransigence can be overcome in order to assure its effectiveness. The recent Preventive Diplomacy consultation sponsored jointly by the United States Institute of Peace and the Policy and Planning staff of the Department of State, with NGOs participating, is another illustration of the search for creative options. The seeds of division planted in the East/West Conflict has now coming to deadly flower in numerous complex emergencies. We cannot do economic development in the midst of civil conflict. We must prospect constantly for ways to establish political stability closest to the action in the villages and rural areas. USAID must be operational on this front of "village democratization" because the Department of State, as well as it facilitates contact with the elites in countries, neglects critical local "grassroots" participators in the movement toward representative government.

That is why we must embrace in the language of the Reauthorization Bill a deeper understanding, or rather a new appreciation for, the purposes, indeed the potential power of foreign aid. World Vision endorses the astute recommendations that our colleague Mrs. Taft has outlined. We believe it is a grave oversight to neglect the importance of people-to-people programs in the delivery of U.S. humanitarian assistance, much of which takes the form of emergency PL 480 Title II food aid programs. In complex humanitarian emergencies such as Angola and Zaire, people-to-people programs are the primary mechanism through which humanitarian assistance is provided. In our view the Foreign Aid Bill should affirm early and often the critical role of PVOs/NGOs as full partners in the foreign assistance enterprise.

Particularly as a Christian organization, we in World Vision want to affirm the message of the prophets of old, honored by all the monotheistic religions. Our actions not only as individuals but as a nation should reflect our values, and ethics...a "we don't care" isolationism or maldistribution of resources are diametrically opposed to the values we espouse as a people with religious roots.

The prophet Jeremiah (9:23-24 NIV) announced:

"Let not the wise man boast of his
wisdom
or the strong man boast of his
strength
or the rich man boast of his
riches,
but let him who boasts boast about
this:
that he understands and knows
me,
that I am the Lord, who exercises
kindness,
justice and righteousness on
earth,
for in these I delight."

Non-governmental organizations (NGOs), in fact American private voluntary organizations (PVOs), many of them with religious institutional bases, are often among the critical transnational actors when it comes to preventive diplomacy which goes hand in glove with the drive toward more representative government. And then, of course, depending on our mutual failure or success countries devolve into chaos or emerge with sustainable development. Certainly this is true in both the Balkans and the Occupied Territories of Palestine, where suffering people now await the much delayed sufficient international intervention and the judgement of history.

Therefore, we want to plead for a reaffirmation of USAID's role of leadership in the disaster response and development continuum. These can be the Agency's best years if it is soundly endorsed and undergirded by your action. We in the humanitarian agencies, even with committed field staff, are in need of the integration that comes from a National Country Plan which AID missions facilitate. We are to pick up some of the management responsibilities in countries where missions are closing. But we recognize that we can not work solely in an independent fashion taking subsections of the need without integration... particularly in crisis or transition zones where our staff live with constant life endangering roles and fragile support systems.

In the last ten years we have come to maturity as a PVO community, coordinated by our professional association InterAction. We are

collaborating effectively not only with USAID but also with one another in the field, each doing what we do best but in harmony because of the overall plan which, though we all have a role in shaping, is carried forward by USAID. Time and again the Country Plan's coming to life in individual villages is assured through USAID's vision, and the facilitation of our AID colleagues. Indeed, the US presence in these matters often sets the agenda for the development assistance of other bilateral donors...and should continue to somehow even in "no mission" countries.

World Vision advocates ensuring U.S. foreign aid programs are never misused again as they were during the Cold War in Somalia and Zaire. We believe this danger can be lessened through the inclusion of guiding principles for all humanitarian assistance, such as was suggested by the InterAction Advocacy Subcommittee. The misuse of AID appropriations for anything but disaster response and empowerment of the poorest of the poor can only thwart the political, economic and social development of the unworthy or inappropriate recipient countries.

Brian Atwood has said that "we no longer have to use our aid programs to purchase influence...we are in a new era...it is important that we are able to work with governments that are good partners".

We agree.

But we also want to urge that we work with people who can help develop future governments that will give life and breathe to their aspirations while having the where-with-all to grapple effectively with the internal conflicts that abated will affirm everything we are working for...kindness, justice and righteousness, between and among all peoples. A statement of humanitarian principles in the authorizing legislation on humanitarian assistance could help to advance this age old dream of the prophets and the hopeful vision of those in the relief and development community.



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Roundtable on "Peace, Prosperity and Development Act"

Executive Summary

Statement of Vivian Lowery Derryck
Before the House Foreign Affairs Committee

February 9, 1994

New polarities shape the context in which foreign assistance is provided: the new polarities of interventionism versus isolationism; humanitarianism versus realpolitik; human rights versus business opportunities; and the haves versus the have-nots.

At the same time, we are witnessing the democratization of foreign policy and more voices claiming the right to allocate reduced resources.

Throughout all the discussion, it is clear that targeted foreign assistance with a well thought out underlying rationale is in the U.S. national interest.

Four guidelines can help to shape our responses and develop that underlying rationale. **First**, re-affirm that foreign assistance policy is an integral part of foreign policy. **Second**, create new categories to better address the expanded number of countries competing for assistance and devise new intervention strategies targeted to address their specific development problems. **Third**, acknowledge that the nature of the problems have changed. Rather than bilateral competition to keep nations from the clutches of the Soviets, we are confronted with problems that transcend national borders such as endemic poverty, refugees, AIDS and environmental degradation. **Fourth**, re-affirm support for countries with traditional development needs.

The U.S. can further respond by: 1) reintegrating foreign assistance into key foreign policy calculations; 2) fashioning an assistance policy that plays to our comparative advantages; and 3) recommitting ourselves to leadership in aiding the poorest of

nations.

It is important that the developing world is not relegated to a peripheral role in foreign policy and foreign assistance policy. We marginalize the Third World at our peril. The U.S. will ultimately respond to humanitarian as well as strategic/security crises and these second magnitude interventions will quickly become first magnitude concerns.

The United States should promote its comparative advantage in both sustainable development and democratization initiatives. A strength in sustainable development (Title I) that we do not emphasize is in human resources development. We have a similar comparative advantage in democratization (Title II) in fostering civil societies through multi-ethnic pluralism.

Finally, the Development Fund for Africa, should have authorization language. Undisputedly, Africa is the continent of greatest need. Not to provide an authorization sends a negative signal to the donor community and to African reformers who have proceeded at great personal risk to change both their governments and economic systems with the full expectation that U.S. support would be forthcoming. Moreover, with an authorization, we expand the pro-aid constituency by demonstrating our commitment to sustainable development on a continent of enormous development deficits.



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PEACE, PROSPERITY AND DEMOCRACY ACT of 1994:

ROUNDTABLE DISCUSSION PANEL II

STATEMENT OF

VIVIAN LOWERY DERRYCK, PRESIDENT

AFRICAN-AMERICAN INSTITUTE

BEFORE THE U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON FOREIGN AFFAIRS

February 9, 1994

Thank you, Mr. Chairman for the opportunity to share views on the most important legislation involving foreign assistance in 33 years. I and my colleagues at the African-American Institute applaud the effort because of the need for a clear, coherent framework in foreign affairs. Americans urgently need both a vision of the international future and a blueprint that integrates foreign assistance into the larger foreign affairs equation.

I. Overview

Different polarities--some old, some new--have replaced the bi-polar world of the Cold War and are reflected in the legislation before us: interventionism versus isolationism; humanitarianism versus realpolitik; human rights versus business opportunities; and the haves versus the have-nots.

In the first polarity, interventionism has been re-affirmed in our Somalia mission and to a lesser extent in Haiti and Bosnia. Even after the tragic deaths of October 3, 1993 in Somalia, the American people still believed that we had done the right thing and should see the job finished.

The second polarity with greater tension arises between humanitarianism and realpolitik. Humanitarianism is a deeply imbedded American ideal. Our responses to refugees, natural and manmade disasters underscore our strong commitment to helping those less fortunate. But in a world of limited resources, how many humanitarian ventures can we handle while maintaining the capability to defend our political and security interests? To me, that question is a crux of the new legislation.

A third set of polarities emerges squarely from the Administration's stated foreign policy goals: economic growth of free market economies and enlargement of the number of democratic nation-states. Democracy involves adherence to and support of basic principles of human rights and in some transitional countries, human rights inevitably bump into the twin tenet of economic growth. China is the obvious example. The challenge is to have the two working in tandem.

A fourth polarity has endured from the Cold War to the present: the polarity of the haves versus the have-nots. We live in a world, Mr. Chairman, where 80 percent of the world's 5.6 billion are the have nots. Citizens of the two-thirds world, earn

an average GNP of \$810 per person. Life expectancy hovers in the low 50s in the poorest countries and children have only a 40 percent chance of attending school.

Into this changing paradigm, we inject a newly aware public. CNN, new economic opportunities, exchange programs, volunteer service overseas have led to a wider understanding among Americans of an interdependent globe. Most states now have overseas offices in Europe, Japan, bustling Asia and some even have offices in Africa.

This new awareness of the greater globe has led to an understandably increased interest in foreign policy. From city halls to state capitals, citizens are seeking means to provide input. They want to be heard. They are seeking a democratization of the foreign policy decision-making apparatus.

The greater number of voices means that it will be that much harder to reach consensus on who gets what, when, where and how in U.S. foreign assistance. Mr. Chairman, I believe that we need an act that sets forth a vision and provides a blueprint. We need a foreign assistance act which recognizes that we will react with intervention when our national interests are threatened; respond to humanitarian crises within our resource constraints; balance economic initiatives with human rights guarantees; and, above all, continue to lead the world's response to strengthening the institutions and economies of poor nations of the developing world.

The U.S. can meet this challenge by reintegrating foreign assistance into key foreign policy calculations; fashioning an assistance policy that plays to all of our comparative advantages; and recommitting ourselves to leadership in aiding the poorest nations. My remarks address those three points.

II. Four Guideposts for Foreign Assistance Reform

Making sense of foreign affairs is the most formidable task of the post-Cold War world. The following four steps might be useful.

First, the U.S. must re-affirm that attention to the Third World is an integral component of U.S. foreign policy. There is a tendency among the "Wise Men" to relegate the Third World, the more than two-thirds world, to non-status, urging policy makers to focus on what Brent Scowcroft and Richard Haass called "first magnitude issues". I and many other development professionals are concerned about these rumblings to eschew the developing world and concentrate on Europe, Russia and nuclear threats. Global interdependence through communications, the knowledge explosion and intertwined economies make it foolish to ignore the two-thirds world.

Second, we must devise new categories of assistance to a broader range of countries. Recipient countries now include Russia, the other Newly Independent States and Eastern Europe; new funds are proposed for Gaza and the West Bank. This unprecedented expansion of foreign assistance calls for new strategies for service delivery, new measures of effectiveness and new evaluation benchmarks. How do you compare Angola and Kazakhstan? Botswana to Belarus? Where does Russia, with its enormous potential and enormous financial needs, fit in? What is the timeframe for our assistance? How do we get out? Do we wait for countries to graduate?

Third, we must rethink the Cold War divisions of official development assistance (ODA) and ESF. The new challenges transcend borders: endemic poverty; AIDS; environmental degradation; narcotics; regional conflicts; refugees; technological advancements requiring multibillion dollar investments; and terrorism. We need criteria by which to prioritize these competing claims on limited resources.

Fourth, we must find a way to retain support for traditional development as we meld the Administration's foreign assistance goals of supporting economic growth and democracy with the new multinational challenges listed above and traditional ODA countries. In the majority of ODA recipient countries there is an enduring need to focus on traditional development concerns: education and human resources development; sustainable agriculture; population and family health services; infrastructure strengthening; and stemming environmental degradation.

III. Foreign Assistance and the U.S. National Interest

Mr. Chairman, you asked us to focus on why foreign assistance is in the U.S. national interest. There are multiple national interests, including strategic/security interests, ethical/moral interests and economic interests.

Strategic/Security Interests. The U.S. has strategic interests in those countries which can invade our territory, harm our citizens or our economy on a massive scale, or threaten our sovereignty. We have strategic interests all over the world, ranging from Russia and the Ukraine to Canada and Mexico to Nigeria and Angola.

We also have strategic interests in the small countries where judicious investments in programs such as education, military training, small enterprise development and maternal and child health care can boost economic well-being and political participation. These investments in sustainable development are also exercises in preventive diplomacy.

These investments make it less likely that we will have to respond to egregious violations of human rights and human suffering with initiatives such as the Somalia intervention. Ultimately, each response has strategic implications. Allies and adversaries will assess our actions and base their responses accordingly.

In a domino effect, U.S. responses in one trouble situation will influence our response to another. Somalia is a case in point. The deaths of 18 U.S. soldiers on October 3, 1993 in Somalia were clearly a factor in President Clinton's decision to reverse course for the SS Harlan when the ship was confronted by hooligans in Port-au-Prince. The responses to Somalia and Haiti reinforced the Bosnians' belief that the U.S. will not aid them and that NATO is toothless. As we discuss NATO, the direct linkage between the small countries and large issues, between the two-thirds world and first magnitude issues, becomes crystal clear.

Those countries with significant reserves of strategic minerals and oil constitute another strategic interest. Oil is particularly intriguing as a case study. U.S. oil imports are rising and the growth in the oil industry is overseas, not in the U.S. It is in our strategic interest to work with oil-producing countries as suppliers to the U.S. and as potential markets and partners for U.S. technology.

Ethical/Moral Interests. Foreign assistance has not only strategic, but domestic, moral/ethical implications. The domestic national interest is to insure and protect domestic tranquillity. Part of that tranquillity embodies our moral values. As Americans, we affirm our core values by reaching out to those less fortunate, to hapless victims of manmade disaster. The American citizenry prides itself on its humanitarianism. Fully 67 percent of Americans approved of the initial U.S. entry into Somalia and 56 percent approved even after the deaths of 18 soldiers on October 3, 1993.

The proposed Peace, Prosperity and Democracy Act acknowledges this deep-seated value, noting that we have a "long and unequal record of responding quickly and substantially to humanitarian crises caused by natural and manmade disasters." (Section 3, (6)).

Economic Interests. The third aspect of national interest relevant to foreign assistance is economic prosperity, which is best achieved through a world of viable, democratic nation-states of free-market economies.

Overseas markets are burgeoning. China has expanded at a 12 percent growth rate for the past two years. Indeed, China and Merrill Lynch completed a \$1 billion offering of 10-year bonds only last week. Latin America is a growing market for U.S. exports, as plans are underway for a Latin American free trade zone in 10 to 15 years. Chile may be added as early as next year.

The biggest risk to the U.S. national interest is in not participating, whether it is soft drinks in Vietnam or oil fields in Russia. Russia will need a \$50 billion investment between now and the end of the century just to stabilize oil production at its current levels. (Joseph Stansilaw and Daniel Vergin, "Oil: Reopening the Door," p. 86, Foreign Affairs, Vol. 72, No. 4.) In the next 10 years, Asia will need in excess of \$1 trillion in energy investment to sustain economic growth. (Stansilaw and Vergin, p. 90.)

According to the Wall Street Journal, 73% of all global investment originates in the U.S. We need to be able to assess the politics to safeguard future U.S. investments and encourage stable democratic states that can pursue economic growth and prosperity. U.S. economic prosperity and stability are more and more knit together with that of other nations, our strength with that of our partners.

Is foreign assistance in the U.S. national interest? The answer is an unequivocal yes. We cannot ignore strategic/security imperatives. In some instances our national ethos demands our involvement. In other cases economic opportunity and competition catapults us into a given nation. But in all cases, foreign assistance is in the national interest.

IV. What Kind of Reform Will Best Serve U.S. Interests?

Having established that we must remain involved in both those countries with strategic and national interest to the U.S., we should play to our comparative advantages. I see two that are not emphasized in the proposed legislation: education, from basic through graduate education; and building civil societies.

Education is the linchpin of development. None of the lofty aims of the act--sustainable development, promoting peace, advancing democracy--can be achieved without a base of trained manpower.

AID has set forth four priorities: economic development; democratization; population and health; and environment. Economic development requires a literate labor force. Democratization requires a citizenry that can independently evaluate information. The correlation between literacy and lower birth rates, higher labor force participation and higher yields per hectare are well documented.

The proposed new Act calls for "investment in people's productive capabilities, including measures to upgrade people's technical and managerial knowledge and skills" (Sec. 1102, (B) (vi)). However, it does no good to advocate that the poor have access to economic and financial information if they don't have the

literacy and numeracy necessary to process and effectively use the information.

The new legislation calls for the "establishment and support of civil society and democratic institutions". While I can appreciate specifically citing labor unions and business, no institutions are more critical to development than schools and universities. Indeed, universities provide the educated population, the leaders and managers, that will ultimately effect the changes in thoughts and ideas necessary to a democratic ethos. Universities are also centers for research, with potential for creating strong linkages between U.S. and foreign universities.

Notwithstanding the need acknowledged in the section on Voluntary Cooperation in Development [Sec. 1103 (a) (3)], I believe that the new act should contain another paragraph that is a ringing endorsement of the primacy of education in the development process.

The other comparative advantage of the U.S. is our unique experience in integrating multi-ethnic groups into one cohesive civil society. Our successful experience in democratic pluralism should be highlighted in Title II of the Act.

Political pluralism by definition means being respectful of multiple groups' rights, including minorities. The U.S. embodies the world's best effort to forge a society of equality, a meritocracy in which all Americans can participate fully. The U.S. can present an alternative model to the rampant ethnic discrimination and racism that infest Eastern Europe. Our PVOs, by their very composition, can quietly demonstrate the important contribution that virtually every ethnicity can make to building civil society and fostering values of equality.

Specifically, the legislation can make a difference by calling on implementors of the Support for East European Democracy (SEED) legislation to make every effort to utilize the vast array of expertise from a wide variety of groups in pursuit of democratic pluralism and free market economic transformation.

A related comparative advantage that the U.S. brings to international assistance programs is our extensive experience in integrating women into business and political decision-making. In our overseas initiatives, we have widely acknowledged that women are integral participants in any successful development or democratic initiative. Our experience, directly applicable in Titles I and II of the Act, has been incorporated and I applaud the act for its attempt to integrate women into every aspect of the sustainable development and democracy titles. I note, Mr. Chairman, that women can make similar contributions in promoting peace and suggest the inclusion of a strong support that effect in the state of policy in Title III, Promoting Peace.

V. What Practical Difference Will Foreign Aid Reform Make?

Mr. Chairman, in this context, I turn to Africa and the Development Fund for Africa (DFA). Foreign aid reform that does not safeguard Africa will have a very negative practical impact on the continent. The continent most in need of traditional development assistance is Africa. While other regions have advanced beyond traditional ODA as defined above, Africa lags behind in virtually every human development indicator. Latin Americans are looking for trade partnerships and a plan for a hemispheric free trade zone. Asia is a development model and is seeking joint venture trading partners and major investors.

Africa must continue to concentrate on meeting the basic human needs of its citizens. Africans recognize that their states, by and large, have failed them. Courageous leaders of a new generation are leading their people into a new political landscape of popular participation and government accountability.

In the past four years, the U.S. has made a commitment to African nations that if political systems were to open and citizens allowed to participate, if the economic stringencies of structural adjustment and shifts to market economies were attempted, we would stand behind them.

The Africans have done their part. From Benin to Zambia to Ghana to Mali, they have taken the risks, removed despots, reduced their militaries and tightened their belts. Now we must do our part. The U.S. cannot guarantee our continued ability to deliver assistance without an authorization. The attempt to divert funds from the DFA to aid earthquake victims in Los Angeles is but one example of the funding peril Africa will encounter without an authorization.

The U.S. is a thought leader within the OECD/DAC donor community. The new Foreign Assistance Act will be scrutinized as a blueprint for the next 20 years. The international community quickly will see that Russia, the NIS, Eastern Europe and the Middle East are priorities because they have spending authorizations attached. On the other hand, without an authorization Africa, despite its cavernous development deficits, will be seen as a second order of priority.

The proposed Act pledges that the U.S. will seek to coordinate its sustainable development program with other bilateral and multilateral donors. Those donors will take their lead from us. If we do not deem Africa a high enough priority to enshrine spending for the continent through an authorization, the negative signal will not be missed.

Mr. Chairman, we need to change the language of Section 1201 (c) to authorizing language which specifically states that "the

President is authorized to carry out programs in support of the sustainable development programs for sub-Saharan Africa objectives of this chapter. Funds shall be available to carry out the provisions of this chapter as authorized and appropriated to the President each fiscal year."

Ultimately, the Peace, Prosperity and Freedom Act is a reflection of the values and priorities of the American people. The legislation needs the active support of a wide cross-section of the American people. An authorization for the DFA would expand exponentially the number of Americans supportive of this act. Authorizing it is in the best tradition of our democracy.

Finally, Mr. Chairman, I commend your leadership in encouraging the development of new legislation to address this vital area of U.S. foreign policy and I thank you for the opportunity to share my views with this august Committee.

TESTIMONY TO COMMITTEE ON FOREIGN AFFAIRS
United States House of Representatives
February 9, 1994

EXECUTIVE SUMMARY

1. The Land Grant institutions have committed substantial resources, energy, and time to international development efforts for nearly four decades. Our expertise fits well with the foreign assistance objectives of the United States. As partners with the U.S. government, higher education is engaged in activities that contribute to long-term economic stability, sustainable development, and democratization around the world.
2. The Land Grant commitment to development assistance is an extension of our traditional missions in teaching, research, and service. Institutional openness and accessibility are important characteristics modeled by the Land Grant University, and their value is important to international students as part of their experience here.
3. Teaching and training activities contribute to the improvement of human capacity in developing nations, and are fundamental to the development assistance efforts in the Land Grant Universities.
4. Cooperative research, which is intrinsic to the USAID-funded Collaborative Research Support Programs (CRSPs), has resulted in important benefits to the U.S. and to the partner nations in terms of human resource development and applied problem-solving research. Related collaborative research which has permitted University faculty to work with the International Agricultural Research Centers (IARCs) and National Agricultural Research (NARs) programs has had similar global benefits.
5. Inter-institutional collaboration, such as that facilitated by the USAID-funded University Development Linkage Program (UDLP), has enabled U.S. universities to assist partner institutions in developing nations to strengthen their capacity to serve their national needs.
6. Both the CRSPs and the UDLPs have been cost effective, productive, and efficient users of development assistance resources, and have resulted in mutual benefits to both the United States and global partners at small cost to USAID and the federal government.
7. A reformed U.S. Foreign Assistance program will benefit from the lessons of the Land Grant experience. Such a reformed program could adopt the Land Grant model of teaching, research, and service as a suitable model for the future of development assistance.

Speaker: Dr. David J. Sammons
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TESTIMONY TO COMMITTEE ON FOREIGN AFFAIRS
United States House of Representatives
February 9, 1994

Good morning. I appreciate the opportunity to appear before this committee today to present testimony on the critical importance of foreign assistance to the foreign policy goals of the United States in partnership with the national Land Grant University system. I am presently Associate Dean of the School of Agriculture at Purdue University in West Lafayette, Indiana. In that capacity, I am also Director of the Office of International Programs in Agriculture. My presentation this morning will focus on the particular development assistance expertise of this uniquely American institution of higher education, the Land Grant University.

As partners with the U.S. government, higher education in the United States is, and has long been, engaged in a range of activities that contribute to economic stability, sustainable development, and democratization around the world. We have committed resources, energy, and time to our involvement for more than four decades because we know that these efforts are an essential complement to our institutional mission and responsibilities - which more and more are assuming global dimensions. American higher education is a significant domestic resource for fulfilling our national purposes in international development.

It is important to note, however, that international development assistance, like all that we do in higher education, requires long-term commitment in order to be truly productive. Neither development nor education happens in the short term. Both of these transforming processes leave a permanent imprint on the lives of people and must be done with care. This, in fact, is the core value in higher education: to touch lives in ways that will increase human capacity, permitting human aspirations to be fulfilled in productive, creative, and responsible ways.

It seems to us that higher education can and should be viewed as the glue that holds together our national efforts in development assistance. We have the resident knowledge and expertise, the necessary human resources, and the long-term institutional commitment requisite to propel the development assistance process into the future. We stand ready both to lead and to nourish the process.

Let me be explicit about the capability and experience of higher education in the international development assistance arena and the contributions that international activities have made to us as institutions. Our international involvement has spanned the multiple dimensions of the Land Grant mission: teaching, research, and public service. In each of these connected areas of

responsibility, we have participated in scholarly endeavors that cut across geographic boundaries.

Our teaching expertise has made enormous contributions to the development of human resources around the world. As an example, any of the numerous programs designed to achieve sustainable economic development, stable population growth, environmental quality, or democratic institutions - whether in the U.S. or abroad - must be built on education and training to provide the needed intellectual underpinning. Studies have repeatedly demonstrated that the international students who graduate from U.S. colleges and universities frequently end up as leaders in government, education, the private sector, and other roles carrying responsibility for policy formation in their home nations. The fact that these individuals were trained in the United States inevitably contributes to future positive relationships with business, educational, and political concerns with this country. Support for international education and training must remain a cornerstone of our development assistance efforts in this nation, and higher education is positioned better than anyone else to do this.

The presence of international students on our University and College campuses also enriches the life of the community. There is no better way to develop an appreciation for cross-cultural diversity and to break down barriers that separate people than through direct, person-to-person contact. This happens in the classroom, the dormitory, the numerous social gatherings on our campuses, and in the wider community when there is a strong international component of the student body. Best of all, this is a benefit that comes cost-free when we encourage international students to seek educational opportunities in the U.S.

In addition to teaching, the academic mission is also characterized by a commitment to research and discovery. Knowledge knows no boundaries. The opportunities for collaborative research that have long been a part of our foreign assistance agenda have been important contributors to the welfare of human communities around the world - including right here in the United States. As an example of this, I call particular attention to the USAID-funded Collaborative Research Support Programs or CRSPs. Land Grant Universities have been major participants in these programs since their inception in the U.S. Foreign Assistance Act of 1975. Each of the CRSPs addresses a major global agricultural commodity, environmental resource, or technology, and seeks to develop a sustainable and environmentally responsible solution to the major problems it addresses through a highly collaborative research mode.

The CRSPs have facilitated not only improvements in the welfare of people and the environment in recipient nations but also significant gains for people in the United States. The Sorghum/Millet CRSP, for example, has returned significant benefits to the U.S. sorghum industry through the introduction of new genetic strains from our international partners. These strains have contributed to

improved grain sorghum yields and to genetic resistance to major pest organisms which threaten sorghum in the United States. A recent economic analysis of the Sorghum/Millet CRSP concluded that this single program has resulted in \$364 million savings to taxpayers in government program costs. This is apart from the tremendous advantages that have been realized in human resource development and human welfare in the recipient nations as a result of collaborative research supported by the CRSPs.

The CRSPs have also made significant contributions to a reduction in the impact of agriculture on the environment through improved crop management systems. In addition, they have contributed to the preservation of biodiversity through intentional efforts to conserve the wild and weedy relatives of important agricultural commodities as well as to protect the genetic resources resident in the traditional crop and livestock varieties with which the programs have worked. The CRSPs are just one of numerous examples that could be cited of highly cost-effective investments by the federal government in high impact research activities in the international sphere.

Unfortunately, the CRSPs are seriously threatened by budget constraints within USAID at present. This is an intolerable situation, and one that we do not understand given the fact that they are among the most successful long-term international activities in which the U.S. government has ever invested. The CRSPs must be preserved. Additionally, the future welfare of the CRSPs is linked to the related international research efforts of the International Research Centers around the world as well as the National Agricultural Research programs in developing nations. All of these programs go hand-in-hand in meeting the needs of a sustainable, environmentally benign agriculture that will continue to feed the world's population over the years ahead.

Finally, the participation of U.S. Universities and Colleges in international development assistance activities has been a natural part of the service and outreach mission inherent to the American higher education mission. Our participation in inter-institutional development activities has contributed to nation-building in substantial ways, permitting some nations to achieve a new level of economic independence and human dignity. The Land Grant Universities have contributed to this process through programs that have brought together institutions of higher education in the United States and abroad as partners in development. We in the U.S. academic community are among the best in the world in building these sorts of institutions. We can point to a legacy in several regions of the world where partnerships have resulted in regional educational institutions capable of standing on their own as intellectual resources addressing basic human needs in their immediate surroundings.

Of note in this regard is the University Development Linkages Program (UDLP), another relatively low cost USAID program with enormous benefits to both

partners in the relationship. The UDLP was authorized in 1991 over a 10 year period as a mechanism to bring together American Universities in collaborative relationships with developing country institutions to address specific country and regional needs. This program builds upon our philosophical commitment to outreach, and brings our institutional expertise in this regard to bear on the development problems of partner nations. There are currently 40 linkages involving 48 U.S. institutions and two consortia and 48 partner institutions of higher education in 28 countries. The UDLP has been recognized by The Carnegie Foundation and the World Bank as an innovative approach to development cooperation. Because of the matching requirement of the program, the UDLP has benefited from nearly \$2 of university resources for every \$1 of USAID assistance, and has resulted in numerous development innovations. As with the CRSPs, for unknown reasons, USAID funding support for this program is severely threatened. The UDLP, like the CRSPs, must be preserved as part of any reformed U.S. Foreign Aid program simply because it is efficient, innovative, productive, and cost-effective.

The answer, then, to the questions that you raise here today, Mr. Chairman, is that Foreign Aid is in the U.S. national interest because it is good for the United States. Foreign Aid has been good for the U.S. in part because our higher education system has been able to catalyze resources available for development assistance into tangible benefits for the U.S. economy - while at the same time assisting human beings around the world. Reform of U.S. Foreign Assistance ought to tap into the tremendous resources and commitment resident in U.S. institutions of higher education. In many ways, a reformed U.S. foreign assistance program might look very much like the Land Grant Institutions in terms of their missions. Fundamental to a reformed Foreign Assistance program is a long-term commitment to human resource development through education and training, a long-term commitment to collaborative, problem-solving research in the developing world, and a long-term commitment to service and outreach as the vehicle to make these good things happen. These are the attributes of a truly transformed Foreign Assistance policy for the United States.

Thank You.

TESTIMONY OF THE HONORABLE DONALD M. FRASER
 COMMITTEE ON FOREIGN AFFAIRS
 U. S. HOUSE OF REPRESENTATIVES
 February 9, 1994

Mr. Chairman, I am pleased to be back with the House Committee on Foreign Affairs where I served as a Member from 1962 to 1978 and as Chairman of the Subcommittee on International Organizations from 1973 to 1978. I testify today on behalf of the Washington Coalition of Human Rights. The Coalition is composed of non-governmental organizations seeking the advancement of international human rights abroad. It has carefully reviewed The Peace, Development and Democracy Act of 1994, and has asked me to share with you their appraisal of the bill which I will summarize in my statement. Attached for the record I include their amendments to the bill and I ask that you give them your serious consideration.

After becoming chair of the Subcommittee, I was struck with how little consideration the Department of State and the administration had been giving to how governments treats their own people in shaping U.S. foreign policy. In 1973 the Subcommittee held the first comprehensive Congressional hearings on international human rights; from 1973 through 1978 the Subcommittee held about 150 hearings on this subject. There were many other Members of Congress who were also actively supporting greater priority to human rights in U.S. foreign policy.

In response to this situation, Congress adopted legislation which required the administration to give priority to human rights in making foreign policy, linked human rights and foreign assistance, created the Bureau of Human Rights and Humanitarian Affairs, and mandated the annual country reports on human rights practices.

I present this background in order to emphasize the critical role Congress has played in this field. As this Committee sets out to re-frame foreign assistance legislation, it is critical that Congress maintains human rights promotion as a primary goal of U.S. foreign policy.

The most fundamental criticism I have of the administration's bill is that promoting human rights is not made a primary goal of foreign policy, rather it is treated as a by-product of promoting democracy. In my view an essential pre-condition for creating genuine democracies is attainment of respect for human rights. Unless there is -- freedom from arbitrary arrest and detention, freedom from torture and summary executions, freedom from want, respect for justice and the rule of law, and freedom of association, of speech and of the press -- democracy is not possible. As you well know, there are some governments which have some of the forms of democracy, but because of serious human rights violations can not be considered genuine democracies. As Secretary of State Warren Christopher remarked, in his address to non-governmental organizations at the Department of State last week when introducing the Country Reports on Human Rights Practices 1993, even democracies are not immune from human rights abuses.

In my view, therefore, Title II on "Building Democracy" should be rephrased as "The Promotion of Human Rights and Democracy." The contents of the title should place emphasis

on both promotion of human rights and of democracy as primary objectives of U.S. foreign policy and U.S. foreign assistance. AID should encourage the work of human rights advocates, those who provide healing to people traumatized by forces of repression, and other non-governmental organizations that are genuinely independent of their governments.

Aid can also be used to promote basic economic rights. People oriented aid -- investing in human resources, rather than military equipment and prestige projects -- can provide sustainable poverty alleviation as well as enhance the poor's access to basic human rights such as education, health care and housing.

The promotion of human rights is stipulated as a basic purpose of the United Nations and Member States are obliged under the Charter to take joint and separate action to promote human rights. Moreover, the United States in voluntarily signing and in some cases ratifying international and regional treaties has demonstrated a willingness to promote internationally recognized human rights standards.

In encouraging democracy we would do well to concentrate our efforts on promoting those essential human rights described above which are the foundation for genuine democracy. We would be promoting internationally agreed upon standards, and not an American blueprint for how peoples should govern themselves.

Since the annual country reports on human rights are such an important element in U.S. human rights policy, we recommend that the legislation for those reports be part of Title II. Moreover, the reports should be more than an objective record of a government's human rights performance. They should also describe United States activity to encourage the government to improve its performance and that government's response. A poor response by a government slated to receive foreign assistance should alert Congress to give that request careful scrutiny.

There are few people better placed to assess and impact upon human rights abuses than U.S. diplomats. The bill's Title VI - Advancing Diplomacy - needs to emphasize that our diplomats should make sustained efforts to condemn human rights violations, seek information about political prisoners, attend key political trials and meet with torture survivors and human rights advocates. These activities are justified on humanitarian grounds apart from the broader goal of promoting democracy.

I now wish to address the question of linkage between human rights and security assistance. Section 502B of the Foreign Assistance Act of 1961 has defined security assistance and given the executive branch a set of guidelines for determining whether a government is eligible for such assistance. Security assistance includes not only military assistance and sales, but military training and commercial sales of defense articles or services.¹ The guidelines state that except under extraordinary circumstances "no security assistance may be provided to any

¹ The Coalition's language adopts the definition of security assistance which appears in Section 502B.

country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights."

The executive branch has not explicitly terminated security assistance because of Section 502B. The law is too heavy-handed - requiring all or nothing. It does not allow for situations in which circumstances require the United States to continue providing security assistance to a government while also conveying to it that the United States is deeply concerned with its level of observance of human rights.

To overcome this problem, the Coalition offers the Committee a three stage process which rests with positive incentives to adhere to human rights standards. This process utilizes the Department of State's country reports on human rights practices. Countries which receive a positive certification would be entitled to security assistance without conditions. Countries which did not receive a positive certification would be placed under review making them eligible for assistance whilst providing them with a fair warning that future assistance could be jeopardized if significant progress was not made. The Department of State would request a waiver from the appropriate legislative committees of Congress. Lastly, countries not meeting internationally recognized human rights standards would be barred from receiving security assistance.

Under this formula the administration will have a more effective handle to induce governments to achieve progress in human rights than in either the existing law or that proposed by the administration. Congress will have a more active role in decisions to continue security assistance. An affected government will have a reasonable opportunity to make improvements in its human rights performance. If significant progress is not made, the administration can continue assistance if one of the exceptions elaborated in Section 7201 apply.

The administration's bill allows for an exception on grounds of "national interest." This language is weaker than the present legislation (Section 502B of the FAA) which calls for a exception when "extraordinary circumstances" warrant such assistance. The Coalition allows for an exception when the security assistance is "vital to national security." In Section 7201 (e) the Coalition amendments also rephrase the term "Human Rights Violators" to more diplomatic language - "a government which does not meet internationally recognized human rights standards" and broadens the concept to include such violations as genocide, violations in times of armed conflict, and ethnic cleansing.

My concluding remarks pertain to the bill's provision for police training. Recently, an associate of The Center for Victims of Torture - which is based in my hometown of Minneapolis - visited a treatment center in a third world country. She inquired whether the center would consider receiving financial support from AID.

The director of this center told her that he could not accept AID support because police in his country had received training from AID and they were later involved in human rights abuses. The credibility of his organization would be jeopardized if it were to receive support from AID.

I relate this story to illustrate some of the pitfalls of U.S. involvement in police training. Even training that is beyond reproach can be discredited by events unrelated - or even in spite of - U.S. training. Moreover, it can prevent us from assisting organizations such as the one described above which are making valiant efforts to promote human rights and democracy.

Every effort should be made to insure that U.S. assistance for police training is consistent with our human rights policy. For this reason we propose that the bill provide that the Assistant Secretary for Human Rights, Democracy and Labor Affairs be given responsibility for authorizing and monitoring all police training.

In conclusion, Mr. Chairman, I think that by strengthening the human rights provisions in the bill the Committee will actually enhance this administration's commitment to promote peace, development and democracy. It would also ensure the support of a large number of non-governmental organizations and citizens' groups. I appreciated having the opportunity to address the Committee and would be happy to respond to any questions Members might wish to address to me.

WASHINGTON COALITION ON HUMAN RIGHTS
PROPOSED AMENDMENTS TO THE
THE PEACE, DEVELOPMENT & DEMOCRACY ACT (PDDA) OF 1994¹
February 8, 1994

TITLE I - SUSTAINABLE DEVELOPMENT

Sec. 1101.

(5) ...environment, promotes respect for human rights, enhances

Sec. 1102.

(a) ...environment, nurtures human rights, enhances

(b) (3) (A) civil society and respect for human rights and democratic institutions ...

(c) (2) (A) in terms of respect for human rights, improving

Sec. 1201 (a) (1) conflicts where threats to human rights, anarchy that threaten ...

Delete (a) (2) and (3): and insert the following language:
"Sub-Saharan Africa is also undergoing significant but fragile economic, social and political change, including economic reforms, a growing respect for human rights, and transitions to democracy, which hold promise of progress in sustainable development if supported with appropriate external assistance:"

(4) equitable, consistent with human rights norms, participatory

(6) economic growth, enhancing human rights, reducing

Sec. 1301.

(4) transparency, respect for human rights, the rule of law, promoting democracy,

Sec. 1303. (3) enhance incomes, promote human rights, expand

TITLE II - BUILDING HUMAN RIGHTS AND DEMOCRACY

Section. 2001. FINDINGS AND STATEMENT OF POLICY.

(a) Findings. The Congress finds that --

(2) expansion of universal respect for internationally

¹ Underlining indicates new language not contained in administration's bill.

recognized human rights, democratic values and systems.....

(4) Human rights abuses and the undermining of respect for the rule of law and freedom of expression which they inevitably engender, compromise the democratic process. Efforts to prevent, monitor and respond to such abuses need to be integrated into and coordinated with broader efforts to develop and consolidate democratic institutions.

4 changes to 5 (5) frequently, newly democratizing countries are beset by ethnic conflicts, human rights violations, resurgent nationalism and anti-democratic movements, and political reaction to economic reform. A growing number of countries seek to end years of protracted internal conflict through the implementation of internationally-sanctioned political settlements, designed to create a democratic form of governance, a durable peace, respect for human rights, and the institutional requisites for long-term development;

6 changes to 7 (7) ... -- pose.... to be integrated into and coordinated with broader efforts to promote and protect human rights and to develop and consolidate democratic institutions;

8 changes to 9 (9): and generate costly humanitarian emergencies which in turn often engender civil wars, anarchy, and flagrant denial of human rights, and the reemergence of repressive regimes;

9 changes to 10 (10): with democratic development and promotion of human rights.

(b) Statement of Policy.--

(1) In addition to promoting human rights and strong democratic societies as an integral part of the sustainable development programs authorized under title I of this Act, where democratic gains are threatened, by providing timely assistance to protect human rights and build effective democratic institutions and free market economies.

(2) At the same time, the promotion of human rights and democracy is the responsibility of the global community. The United States should give priority to working bilaterally and multilaterally - including through the United Nations and regional organizations - to ensure commitment of substantial resources toward the promotion of human rights and democracy

CHAPTER 1 - PROMOTING HUMAN RIGHTS AND DEMOCRACY

Subchapter A - PROMOTING OF DEMOCRACY

Section 2101 -- Authority

(a) The President may. . .

(3) where human rights, democratic progress or institutions are threatened.

"(b) For those countries in which the President determines that a government engages in gross violations of human rights as defined under Section 7201(e), U.S. assistance shall be limited to providing aid to indigenous non-governmental organizations that promote human rights, democracy and the rule of law as provided for under Section 7201 (b) (1) (E)."

Section 2102. Objectives and Types of Assistance.

(a) (1) (B) Protection of human rights and fundamental freedoms, including freedom of expression, religion, assembly and association.

(b) delete (4) (5)

To provide assistance under this subsection the recipients must demonstrate a commitment to respect human rights and fundamental freedoms.

SUBCHAPTER B: PROMOTING HUMAN RIGHTS

Section 2104 (new). FINDINGS AND STATEMENT OF POLICY.

(1) Promotion of Human Rights. The United States should, in accordance with its international obligations as set forth in the Charter of the United Nations and other treaties by which the United States is bound and in keeping with the constitutional heritage and traditions of the United States, promote and encourage increased respect for human rights and fundamental freedoms throughout the world without distinction as to race, color, sex, language, religion, or national or ethnic origin.

(2) Promotion of human rights is supportive of building democracy; however, many governments attain some of the forms of democracy, but without eliminating violations of human rights.

(3) Providing rehabilitation services to victims of human rights abuses enables them to become fully contributing members of their society, and helps remove the climate of fear that human rights abuses has instilled in the whole of society.

Section 2105. MEASURES TO CARRY OUT THE GOALS OF THIS SUBCHAPTER.

(1) The President is authorized and encouraged to use funds authorized under this Title for openly carrying out, programs and activities which will encourage or promote increased adherence to internationally recognized human rights. The President should avoid any linkage or identification between United States assistance and any human rights violations occurring in the recipient country.

(2) Such programs should include assistance to programs providing rehabilitation services to victims of torture.

(3) The Secretary of State shall transmit to Congress, not later than February 28 each year, a full and complete report, prepared with the assistance of the Assistant Secretary of State for Human Rights, Democracy and Labor Affairs, with respect to every foreign country that is either a Member of the United Nations and/or proposed as a recipient of U.S. foreign assistance. The reports shall --

(A) provide a comprehensive report on the observance of and respect for human rights and fundamental freedoms in the country, with a detailed description of practices by the government;

(B) Utilize information from national non-governmental organizations as well as international organizations and non-governmental organizations, such as Amnesty International and the International Committee of the Red Cross; and

(C) Summarize U.S. legislation and diplomatic interventions concerning human rights performance of each foreign government and its response.

TITLE III - PROMOTING PEACE

Sec. 3001. (2) Radical nationalism and political destabilization prompted in part by the demise of communism, have threatened human rights and democratic development by unleashing long suppressed internal and regional conflict in. . ."

(3) In addition, Gross violations of human rights, the transnational

Section 3101. (1) international peace and security, destabilize democratic development, precipitate genocide and other abuses of human rights, undermine . . .

Sec. 3301. (1) achievement of respect for human rights, international peace and security . . .

Sec. 3301. (New)(3)(C): "Recognizing that a lasting, just and equitable peace cannot be maintained as long as the parties to the conflict fail to sustain democracy and adhere to internationally recognized human rights standards, the United States should play a leading role in promoting programs that enhance and sustain existing democratic institutions and promote human rights in Israel and promotes the establishment of similar institutions in the West Bank and Gaza."

(6) with an emphasis on nonproliferation, democratic development,

human rights awareness, defense education ...for a revised military role in a more democratic, peaceful and stable world.

Sec. 3302. (1) lasting peace, to nurture and protect a respect for human rights, to contribute ...

(2) internal conflicts and situations of gross violations of human rights through bilateral

Section 3401

(3) crime, violence, corruption, disease and poverty; as well as to the undermining of democratic institutions and the devaluing of human rights.

Section 3402

(2) "to enhance "democratic development, respect for human rights and the rule of law. . . "

(New 7) "Nothing in this section shall be construed as permitting the U.S. government to provide assistance to governments or specific military, defense or police units of governments that have demonstrated a pattern of gross human rights violations or anti-democratic behavior as defined by Section 7202(e)."

TITLE IV--PROVIDING HUMANITARIAN ASSISTANCE

Section 4001

(2) "civil war, international conflict, military coups, systematic human rights violations, and natural disasters.
..."

TITLE VI - ADVANCING DIPLOMACY

(2) Diplomacy is the most cost-effective foreign policy instrument for promoting American well-being through safeguarding international stability by managing crises and preventing future conflict.

(4) (B), to promote adherence to international human rights law, democratic institution building

(C) resolution of disputes, ensure human rights awareness and render

Add a new paragraph, (4) (F):

Promoting human rights requires sustained efforts by U.S. diplomats to condemn violations committed by the host governments, their security forces and surrogates and by non-governmental entities and insurgents. Information should be sought from

offending governments about actions taken to stop the violations and to prosecute those responsible. U.S. diplomats should, where possible, seek to visit prisoners of conscience, meet with torture survivors and human rights advocates, and observe key political trials. The Foreign Service Institute should insure that foreign service officers receive the necessary training to accomplish these tasks.

TITLE VII: SPECIAL AUTHORITIES, RESTRICTIONS ON ASSISTANCE, AND REPORTS

CHAPTER 2 -- RESTRICTIONS ON ASSISTANCE

Section 7201. INELIGIBLE COUNTRIES

(a) Restrictions.

Except as provided in subsection (b), assistance under this Act may not be furnished to the government of a country that is:

(2) Not meeting the internationally recognized human rights standards described under subsection (e).

(e) A government which does not meet the internationally recognized human rights standards

(1) Definition. Any country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights. Gross violations of internationally recognized human rights include, but are not limited to:

(A) summary or arbitrary executions;

(B) torture or cruel, inhuman or degrading treatment or punishment;

(C) prolonged, arbitrary detention;

(D) causing the disappearance of persons by the abduction and clandestine detention of those persons;

(E) other flagrant denials of the right to life, liberty or security of the person;

(F) genocide;

(G) crimes against humanity and other grave breaches of humanitarian law committed during armed conflict of an international or internal character, including:

(i) murder, extermination, enslavement, mass destruction of homes or cultural or religious institutions, and other inhumane acts committed against

any civilian population,

(ii) ethnic cleansing;

(iii) rape committed by government agents;

(iv) attacks targeted against non-combatants (including UN personnel), or committed with reckless disregard as to their safety;

(H) systematic, official discrimination on the basis of race, color, sex, language, religion, ethnicity, national or social origin, or other status;

(I) forcible seizure of food or medical supplies from people facing starvation or disease; forcible interference with efforts to deliver food, medical supplies or other forms of humanitarian assistance to people facing starvation, disease or other life-threatening circumstances; or the use of starvation as a means of social or military control;

(J) the intentional destruction of the land or resources necessary to sustain an indigenous or other civilian population, with reckless disregard for that population's ability to sustain its culture or means of physical survival.

(K) systematic suppression of the rights to freedom of peaceful assembly and association, including the right to organize and bargain collectively.

(2) Matters to be considered. - In determining whether a government is not meeting the above standards, consideration shall be given to the following:

(A) The resolve of the government in investigating and prosecuting those government agents alleged to be responsible for ordering, directing or carrying out human rights violations, and punishing those against whom convincing evidence is established.

(B) The relevant findings of appropriate international and nongovernmental organizations.

(C) The extent of cooperation by the government in question in permitting unimpeded investigations of alleged violations of internationally recognized human rights by nongovernmental and inter-governmental organizations, including

(i) granting international humanitarian organizations (such as the International Committee of the Red Cross) free access to prisoners.

(ii) granting international humanitarian organizations free access to areas of famine, disease or armed conflict;

(iii) granting domestic and international human rights organizations (such as Amnesty International) freedom to investigate alleged human rights violations.

Section 7201 (h).

The President is only authorized to provide security assistance as defined in Section under paragraph (g) of this section to a foreign government for a fiscal year if the President either

(a) certifies to the Congress for that fiscal year that such government;

(1) promotes the rule of law, equality before the law, and respect for individual and minority rights, including the rights to freedom of expression, association, peaceful assembly and collective bargaining;

(2) Does not engage in a consistent pattern of gross violations of internationally recognized human rights;

(3) Vigorously investigates, disciplines and prosecutes those held to be responsible for gross violations of internationally recognized human rights; and

(4) Does not impede the free functioning of domestic and international human rights organizations. Or,

(b) The President submits to the Congress

(i) a written request for an exemption to the Congress containing a determination that it is in the vital security interest of the United States to provide military assistance or sales to such government. If such exemption is requested, the appropriate legislative committees must be notified at least 15 legislative days before military assistance or sales are provided in accordance with the regular notification procedures of those Committees and must approve the waiver in writing. And,

(ii) a statement explaining why such government can not be so certified, indicating the human rights problems that need to be addressed, and providing same to the government as a fair warning that such assistance could be jeopardized in future years if significant progress is not accomplished.



CHURCH WORLD SERVICE/LUTHERAN WORLD RELIEF



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Statement on H.R. 3765, Peace, Development, and Democracy Act of 1994 to House Committee on Foreign Affairs

Church World Service/Lutheran World Relief
February 9, 1994

U.S. FOREIGN AID REFORM: MOVING IN THE RIGHT DIRECTION

Church World Service and Lutheran World Relief are pleased to submit our views concerning the Peace, Development, and Democracy Act of 1994 (H.R. 3765). These are the result of an initial review of H.R. 3765 and may be elaborated and expanded based on a more detailed assessment. The reform of U.S. foreign assistance programs is among the priority concerns of our organizations this year. We believe that individual church members and others who support our work will also support passage of a thoroughly reformed foreign aid program that promotes just and sustainable development, human rights, and demilitarization.

Church World Service is a private voluntary agency, part of the Church World Service and Witness Unit of the National Council of Churches of Christ in the United States. Lutheran World Relief is the overseas development and relief agency for the Evangelical Lutheran Church in America and the Lutheran Church Missouri Synod. Each organization works in conjunction with local partner agencies in Africa, Asia, the Middle East, and Latin America and the Caribbean.

INTRODUCTION

We applaud the seriousness of purpose with which the Administration has shouldered the task of reforming and updating U.S. foreign assistance programs. In our view, such reform is both overdue and indispensable.

Absolute poverty and hunger continue as a daily fact of life for millions, reflecting to a large extent the failure of development efforts over the years. The lessons of these failures have begun to inform and shape the international development cooperation programs of some countries and organizations. These programs differ from earlier efforts because they are based on the principles that the quality of human life is the basic measure of development and that the empowerment of the poor to meet their own needs is an essential element of development. Effective use of limited resources for genuine human development requires a overhaul of U.S. assistance programs based on these same beliefs.

H.R. 3765 represents an important step in the right direction. We agree with its embrace of sustainable development as the basis of the bilateral development cooperation program of the Agency for International Development (USAID). We believe it is also very important to establish firmly USAID's authority and capacity to implement sustainable development programs, and in this connection are pleased that the bill prohibits transfer of funds from sustainable development programs to other purposes.

We are also pleased with the strong emphasis in Title I on: empowering people and incorporating local, indigenous perspectives in programs; supporting and facilitating the active role of women as agents as well as beneficiaries of sustainable change; and the role of nongovernmental organizations, including local community groups as well as private voluntary organizations, in promoting broad-based and sustainable development. What is still lacking in Title I, however, is specific delineation of some of the types of activities that would be undertaken in promotion of sustainable development, such as sustainable agriculture, child survival programs, microenterprise, education, etc. We urge the addition of more specific language in this respect.

It is also important to note an additional element of necessary reform that is not addressed by the proposed charter legislation, but which should be considered in the authorization and appropriations process this year. Genuine reform requires redress of the traditional imbalance in allocations of U.S. assistance among countries and regions of the world. In fiscal year 1994 more than half of the foreign aid program was designated for the former Soviet Union, Israel and Egypt. We believe the current peace processes underway in the Middle East will require substantial changes in U.S. assistance. At the same time, a significantly greater portion of the total foreign aid resources must be allocated to poor countries and people in Africa, Asia, Latin America and the Caribbean.

RECOMMENDATIONS

1. *Establish mechanisms and procedures to ensure that sustainable development criteria are applied to the full range of U.S. foreign assistance programs, including all U.S. bilateral economic assistance; trade, export, and investment promotion; and U.S. assistance through international financial institutions.*

As currently drafted, the Administration's proposal applies sustainable development criteria only to programs of the Agency for International Development, leaving open the possibility that activities undertaken by other agencies and programs might not necessarily support, and could even undermine, the sustainable development objectives of Title I. Programs for the former Soviet Union and Eastern Europe should be required to meet sustainable development criteria. Also, Title V, relating to trade promotion activities, should explicitly require those activities to support, or at the very least, not undermine sustainable development objectives.

The extent to which U.S. assistance through international financial institutions promotes sustainable development requires particular attention. As bilateral development cooperation resources have diminished, the importance of programs funded and administered by these institutions has increased. In country after country, our partners have been forced to cope

with the effects of structural adjustment plans promoted by international financial institutions. These include, among others, drastic cutbacks in already minimal social services and lack of credit for small producers and agricultural production for domestic consumption. We are concerned about their doctrinaire approach to macroeconomic policy, which fails adequately to take into account local reality. We are also concerned about their lack of consultation with local organizations in program and policy development, implementation, and evaluation. Finally, these institutions have taken only small steps, under intense prodding, to deal with the lack of transparency and accountability of their own operations.

Positively, reference in the Administration's draft to the role of international financial institutions states that economic reforms and development programs undertaken by those institutions should reinforce the goals of U.S. sustainable development programs. The benefits of increased coordination of activities of those institutions with those of bilateral assistance programs are also mentioned. The Administration's proposal fails, however, to provide a mechanism for such coordination.

In light of AID's new commitment and potential expertise on sustainable development, we believe it is essential that a mechanism be created that would assure AID a key role in the formulation and monitoring of U.S. policy toward the international financial institutions. The proposed repeal of two existing provisions that now provide a modest role for AID in relation to policy and programs of the international financial institutions [Sec. 537(h)(2) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1988, and the International Development Cooperation Act of 1979, which provides for the establishment of the International Development Cooperation Agency] represent a movement in precisely the wrong direction. We and other PVO/NGOs would be happy to work with Congress and the Administration to develop specific recommendations for a mechanism that would ensure AID's role in this critical area.

2. *Strengthen human rights provisions to ensure more effective U.S. promotion and protection of human rights.*

The universal enjoyment of all human rights (including civil, cultural, economic, political, and social rights) is the goal of just, sustainable human development. All U.S. assistance must be provided in a way that promotes and strengthens respect for human rights.

New procedures and mechanisms are badly needed to improve the effectiveness of U.S. programs to promote human rights. Under existing provisions -- which are maintained in H.R. 3765 -- suspension of U.S. assistance and arms sales is intended to serve as a sanction against human rights violators. In practice, aid and sales have rarely, if ever, been suspended strictly on the basis of human rights violations.

We believe that proposals for a procedure requiring positive certification by the President of observance of human rights by beneficiary governments as a precondition for any assistance or arms sales merit serious consideration by Congress. While we have been pleased that U.S. military aid has declined in recent years, we are alarmed at the increase in U.S. commercial military sales that have occurred simultaneously. Increased arms flows threaten

to undermine many of the foreign aid objectives outlined in H.R. 3765 and deserve priority attention by Congress.

The statutory definition of human rights should be more precisely delineated and should include observance of international humanitarian law.

3. *Establish or strengthen provisions for congressional oversight and accountability in the administration of foreign assistance, particularly related to programs in Title II and Title III.*

While we agree that reduction or elimination of earmarks and greater Administration flexibility is desirable, we strongly believe that greater flexibility must be balanced with adequate congressional oversight and accountability. H.R. 3765 gives the Administration broad transfer and contingency authority, which we believe should be carefully reviewed by Congress to see whether some tightening or additional oversight requirements are called for.

We applaud the inclusion of several requirements in H.R. 3765 that we understand were lacking in an earlier discussion draft: the prohibition on transfers of funds out of sustainable development; the requirements in Title II and Title III that funds must be separately authorized and appropriated for activities administered by the Department of Defense. The latter addresses our earlier concern about intermingling of funds for economic and military assistance.

4. *Safeguard assistance to Africa and acknowledge assistance needs and U.S. interests in Asia and in Latin America and the Caribbean.*

We are pleased that H.R. 3765 outlines U.S. policy for sustainable development programs in Africa, recognizing the severity of needs in that region and the corresponding need for a serious, long-term commitment by the U.S. We urge Congress to approve a separate authorization for the Development Fund for Africa. This would signify a deeper commitment to supporting efforts toward sustainable development in this part of the world.

We also urge Congress to add policy language related to the distinct sustainable development needs in Asia, and Latin America and the Caribbean. Both regions include countries and sub-regions of extreme poverty.

In Latin America, for example, income disparity has increased alarmingly over the last decade, requiring immediate and serious attention to issues of social and economic equity. While the Administration has begun to promote trade as the linchpin for U.S. relations with its hemispheric partners, targeted assistance efforts are needed to ensure that trade benefits are shared equitably within and between countries. Civil society organizations in Latin America have developed dramatically in recent years and provide an increasingly effective infrastructure for broad participation in decision-making and implementation of policies and programs for sustainable development.

Likewise, distinct challenges and opportunities in Asia deserve specific recognition. The recent lifting of the U.S. trade embargo against Vietnam will open economic opportunities in Indochina, where development needs -- particularly in Cambodia and Laos -- remain acute. On-going conflict and human rights abuses, most notably in Burma and Sri Lanka, continue to generate refugee flows within the region. At the same time, civil society is flourishing in a number of countries.

5. *Improve provisions related to U.S. response to needs of countries emerging from conflict and strengthen coordination between related programs in Titles II (Building Democracy) and IV (Providing Humanitarian Assistance).*

Title II should delineate more clearly specific needs of countries emerging from conflict as distinct from countries in transition from communist to democratic societies. Current policy language is inadequate in defining the kinds of responses appropriate to countries emerging from conflict. We therefore urge expansion of language relating to the needs and types of activities to be taken in countries emerging from conflict, such as reintegration of the military in civilian life, de-mining, rebuilding of infrastructure.

In this connection it seems to us that the section on reconstruction in Title IV (Sec. 4202 (d), relating to rapid response to reconstruction and institution-building needs arising from natural or man-made disasters would be more appropriately placed in Title II. Cross-references defining the links between disaster response, in Title IV, and democracy-building initiatives of Title II would also be useful.

6. *Ensure strict prohibition on military involvement in sustainable development programs.*

Sustainable development requires strong and effective civilian governments. In many developing countries, this requires demilitarization and the withdrawal of national militaries from activities that should be controlled and administered by civilian governments. The U.S. should neither support nor encourage military involvement in sustainable development programs. We therefore strongly urge the elimination of Sec. 7209(b), which would allow "the participation of military personnel in training activities, conferences, and other sustainable development programs consistent with the purposes of section 1102."

7. *Retain current law concerning administration of refugee assistance programs.*

H.R. 3765 provides for the repeal of existing authority for refugee assistance programs, replacing it with revised policy and authority as part of Title IV, Providing Humanitarian Assistance. We believe that the existing provisions, whereby refugee assistance and emergency refugee assistance are approved as part of the State Department authorization legislation, have provided timely and flexible consideration of often urgent refugee needs. We therefore urge that the repeal of the Migration and Refugee Assistance Act of 1962 be stricken.

IV. CONCLUSIONS

This year provides a unique opportunity for reform of U.S. foreign assistance programs that will carry this country into the new millennium. The Agency for International Development has made an impressive start by initiating an open and consultative process that has provided opportunity for non-governmental organizations and Members of Congress to express their views and concerns for consideration before a final bill was submitted.

At the same time, we are not satisfied with various provisions relating to foreign assistance programs administered by other U.S. agencies. We believe that careful congressional deliberation on these points is critically important to produce needed improvements in the bill. We look forward to such improvements and an end product that will allow us to lend our enthusiastic support for passage.

A FRESH START:

New Paths for U.S. Economic Policy
Toward Central America

SPONSORING ORGANIZATIONS:

Central America Working Group

and

Concertación Centroamericana de Organismos de Desarrollo
("Concertación" of Central American Development Organizations)

INTRODUCTION

The dramatic steps towards peace in Central America and the ending of the Cold War present an historic opportunity for the United States to support democracy and sustainable development in the region. New principles and policies are needed, however, if the United States is to meet this challenge. The Cold War framework of the aid program must be reshaped to meet new goals, such as promoting post-war reconciliation and encouraging broader citizen participation. As the United States is reexamining its own domestic economic policy, moving away from an unquestioning faith in "trickle down" economics, so too must it reexamine its foreign aid program, which was based on the same failed prescriptions.

While the United States must pay attention now to pressing needs at home, it bears a special responsibility for the next several years in helping its Central American neighbors recover from conflict. Not only does the United States have a responsibility, it has an interest: an investment today in peace and development will benefit the United States in the future, by contributing to a prosperous hemisphere, stemming the flow of refugees, and preventing the return to war.

The cornerstones of U.S. foreign aid policy worldwide and in Central America must be human rights and democracy. These ideals must be broadly defined: human rights as enshrined in the United Nations Universal Declaration of Human Rights, not only for individual guarantees but also social, political and civil rights, including the right to a decent standard of living, to education, not to be murdered, tortured or arbitrarily detained, to speak freely and to participate in government. U.S. aid policy must also support democracy in its broadest definition, not just the carrying out of fair elections, but the genuine participation of individuals in political and economic decisions that affect their lives.

This document is the result of a cooperative effort by U.S. and Central American voluntary and grassroots groups and individuals to propose guidelines for such a redesigned aid program. The national networks of non-governmental organizations brought together in the regional network known as "Concertación" were consulted. The document focuses in particular on economic issues that have been sidelined by the political conflicts of the past decade. It does not seek to address in detail, therefore, some other equally vital issues for the region, such as the reform of security forces and judicial systems. The collaborative effort undertaken to create this document is a step toward the democratic participation of Central Americans in making recommendations on policy questions which, although decided in the United States, have a direct impact on their lives.

This consultation revealed the need for ongoing reforms in Central America to redress the problems that underlay the conflicts and that persist despite the onset of peace: poverty, skewed income distribution, inequitable distribution of land, persistent threats to human rights, and a lack of opportunity for economic and political participation. The Central American participants pointed out many ways in which the United States could use its influence to support efforts within each country to address these pressing issues.

The consultation also underscored serious problems with the economic solutions that U.S. bilateral and multilateral aid institutions have been promoting in the past decade. The experience of that decade shows us that while governments must exercise fiscal restraint, curb inflation and stimulate the private sector, the structural adjustment policies pursued in response to conditions attached to aid and loans from the U.S. and multilateral agencies did not lead to sustained and equitable growth. Public services were underfunded. Private sector assistance focused on export promotion, primarily by larger producers, and bypassed the small producers who are the backbone of regional economies. The first claim on export earnings were service payments on the debt. The poor paid the price of adjustment through falling wages, unemployment, and less access to education and health care.

This suggests that the United States must seek to strike a new balance in the economic policies it recommends abroad. Government does have a vital role to play in promoting the health, education and well-being of all citizens and in protecting the environment. Government and aid agencies' promotion of the private sector should focus on small farmers and small businesses, to create balanced growth and address the needs of the poor. The economic reforms and policies attached to aid programs should be based on greater consultation with recipient governments and representatives of different sectors within their societies. Future trade agreements should be based on such consultations to ensure that the benefits of expanded trade are enjoyed by the majority of the population. The U.S. aid program should set an example of democratic participation by involving the people of recipient countries, as represented by grassroots and non-governmental organizations (NGOs), in the design and implementation of aid policies and programs.

As the wars in Central America draw to a close, the United States should encourage the consolidation of peace throughout the region. It should begin by eliminating all funding for Central American militaries and urging Central American governments to shift from military to social spending. It should encourage the spirit of reconciliation among all parties to the conflicts.

This paper is addressed to the post-conflict situation in Central America. Many of its provisions do not apply to Guatemala because of the ongoing war in that country. As a matter of priority, the United States should help to achieve a negotiated settlement there, so Guatemala can join its neighbors on the path to peace and development.

Supporting the achievement of the ideals of human rights and democracy is the objective of all of the principles and recommendations to follow. If U.S. policy toward the region could be designed along these lines, it would promote dignity and respect for human life, and a concept central to the foundation of the United States: Government of the people, by the people and for the people.

PRINCIPLES

1. The United States should wholeheartedly endorse political reconciliation in countries experiencing and recovering from civil conflict and should devote substantial resources to reconstruction in amounts commensurate with the institutional capacity in the region to use them effectively.
2. U.S. assistance should promote participation by representatives of civil society in formulating aid policy and in designing, implementing and evaluating U.S. aid programs. The United States should support regional institutions and accords that are founded on broad-based participation.
3. The current focus on structural adjustment should shift to an emphasis on policies and programs that directly address poverty and its causes and promote broad-based development in the cities as well as the countryside.
4. The United States should give strong support to agrarian reform, promote diverse forms of property ownership, and stress programs and policies that give assistance to small and medium-sized farmers.
5. U.S. policy should acknowledge the necessary and appropriate roles for the public sector in development and work to enhance its capacity at both the national and local level.
6. The United States should increase investment in human resource development in Central America and should advocate with the region's governments to do the same.
7. U.S. aid should support women's productive and reproductive roles with development resources.
8. U.S. aid and trade policies should be strictly conditioned on respect for internationally recognized worker rights.
9. Any trade agreements between the United States and Central American countries should be negotiated with the participation of a broad range of citizens' groups from all of the countries involved.
10. U.S. aid should support environmental sustainability in economic development policies and projects.
11. The United States should support debt relief to all Central American governments in a manner that enables those governments to redirect resources to the development needs of their people.
12. U.S. aid should emphasize respect for human rights to ensure the freedom of association and the leadership development essential to genuine participatory development. The rights of indigenous populations should be of particular concern.

== FROM PRINCIPLES TO POLICY RECOMMENDATIONS ==

PRINCIPLE 1

The United States should wholeheartedly endorse political reconciliation in countries recovering from civil conflict and should devote substantial resources to reconstruction. Aid policies should promote efforts within such countries to build consensus among previously warring factions. A lasting peace depends on all sectors having a stake in the political process.

The United States has an interest and an obligation to help rebuild societies that are or have been torn apart by the devastating wars of the past decade and to help resolve the ongoing conflict in Guatemala. Continued international attention and resources in the near term are crucial if these nations' fragile processes of reconstruction, reconciliation and democratization are to be consolidated. A U.S. investment right now in reconstruction will avoid much more costly investments in the future.

Certain recent U.S. policies have discouraged the climate of reconciliation necessary for building stable, peaceful societies in the aftermath of war. In Nicaragua, U.S. demands that the government distance itself from the Sandinista opposition have narrowed the space available for building consensus. In El Salvador, the United States has not firmly encouraged the government to consult affected groups broadly in designing and implementing reconstruction plans. U.S. aid programs in both countries have not been sufficiently bipartisan and inclusive in allocating funds to nongovernmental organizations, while programs for refugees and ex-combatants have either excluded one side, or received insufficient funding. Finally, U.S. and multilateral lending agency insistence on the implementation of rigid adjustment plans has added unnecessary pressure to a delicate post-war situation.

Policy Recommendations

- a. The United States should eliminate all funding for Central American militaries and should encourage Central American countries to adapt to peace by shifting spending from the military to social and productive needs.
- b. Current levels of U.S. economic and development assistance to Central America should be retained for a period of at least two to three years, during which time reconstruction activities will continue.
- c. U.S. assistance should promote reconciliation by:
 1. Setting an example of bipartisanship by funding a politically diverse range of NGOs and program beneficiaries.

2. Encouraging the governments of El Salvador, Nicaragua and Guatemala to build workable compromises with all sectors of society, including through national arenas for consensus-building such as the so-called "concertacion" mechanisms.
 3. Ensuring that municipal aid programs in El Salvador and Nicaragua reward local efforts to build consensus.
- d. U.S. assistance programs should give priority to the reintegration of ex-combatants from both sides of the wars, including by providing land, credit and job training and recognizing that this is a multi-year process.
- e. The United States should fund programs for the resettlement of refugees and displaced persons through the International Conference on Central America Refugees (CIREFCA) or other efforts that promote the input of uprooted populations into policy concerning resettlement and reintegration. In addition, in determining U.S. assistance to the region, attention should be paid to the countries that shouldered the burden of sheltering refugees, such as Honduras, Belize and Costa Rica. The entrance of political refugees to the United States from the ongoing conflict in Guatemala should be eased.
- f. The United States should work with other multilateral and bilateral donors to eliminate conditions on aid packages to the post-war nations that aggravate social tensions by adding to unemployment, reducing wages and weakening social safety nets.

PRINCIPLE 2

U.S. assistance should promote participation by representatives of civil society. Sound mechanisms should be created to ensure participation by non-governmental and grassroots organizations (including small farmers' organizations, indigenous people's organizations, labor unions, cooperatives, women's organizations, etc.) in formulating policy, and in identifying, designing, implementing, and evaluating U.S. aid programs. Similarly, the United States should support regional institutions, fora and accords that are founded on broad-based participation.

Broad-based participation is an essential ingredient of deepening democracy and sustainable development. The exclusion of major segments of the population from national economic and political processes was at the heart of the violent conflicts that engulfed the region in recent years. Future stability will depend on overcoming the social polarization resulting from the conflicts and on broadening participation in political and economic life. Civil society organizations provide an important means by which the population can nonviolently articulate and pursue its needs and aspirations. They also serve as conduits for popular experience and knowledge--increasingly recognized as an indispensable element of effective, sustainable development.

Globally, AID has made only very modest progress toward a participatory approach to development. Because of the armed conflicts, even less progress has been made in Central America.

Policy Recommendations

- a. AID, along with the U.S. representatives to the multilateral development banks, should advocate with Central American governments for national policies and practices that ensure the independence and facilitate the work of non-governmental and grassroots organizations.
- b. AID should work with non-governmental and grassroots organizations in the region and in the United States to identify mechanisms to assure effective popular participation in development projects, programming and policymaking. Such mechanisms should reflect an in-depth understanding of the nature and distinctive roles of these organizations and should incorporate criteria that will ensure that AID policies and programs promote voluntarism and pluralism as a means of strengthening democracy. These mechanisms must protect the independence of such organizations and respond to, rather than direct, their priorities. A necessary first step is that all AID documentation that is publicly available in the United States should be made easily accessible to non-governmental organizations in the recipient countries, including an accounting of the use of funds. Central American organizations should be integrally involved in all aspects of project design, implementation and evaluation. The Latin America Bureau should consult with

other AID bureaus and other donor agencies that have sought to develop effective participatory methodologies.

- c. Additional funding should be shifted from AID to other agencies, including the Inter-American Foundation and the International Fund for Agricultural Development, that promote popular participation by supporting local initiatives.
- d. The United States should lend particular support to those regional initiatives that promote popular participation such as CIREFCA (International Conference on Central American Refugees). The United States should commit itself to uphold broad-based regional and national agreements such as the Central American Peace Accords, the Salvadoran Peace Accords and the Guatemalan Refugee Agreement.

PRINCIPLE 3

The current focus on structural adjustment should shift to an emphasis on policies and programs that directly address poverty and its causes and promote broad-based development in the cities as well as the countryside.

The market reforms pursued single-mindedly in the 1980s have reduced inflation levels but have failed to address, indeed have greatly exacerbated, underlying problems of poverty and social inequality. Poverty alleviation should be pursued not just through stop-gap programs for short-term employment or handouts to ease the pain of adjustment, but as an integral goal of development. Improving income distribution will expand local markets and lay the groundwork for further development. Putting the tools for production --land, credit, technical assistance for farming and urban and rural microenterprise--in the hands of the poor is essential. The recommendations and solutions coming from the poor themselves serve as the central guidelines in designing such programs and policies.

Policy Recommendations

- a. Private-sector aid should give priority to small and medium producers. To that end, U.S. assistance should fund a diverse range of community banking programs and revolving credit funds that provide credit at reasonable rates for urban and rural microenterprise and small-scale farming. Assistance should also be provided for technical training programs for small farmers and microenterprises, including organizational development, accounting and marketing. These programs should stress appropriate technology (i.e., small scale, low cost, environmentally sound and not import intensive).
- b. U.S. assistance should fund programs directed at the urban population, including to develop housing and support urban land reform where needed.
- c. The United States should provide resources only to those Social Investment Funds that effectively: ensure that benefits reach the poor; involve the participation of organizations with direct links to the poor and help to strengthen the capacity of such organizations; and develop procedures and mechanisms designed to enhance long-term sustainability of poverty alleviation efforts. These funds should provide credit and technical assistance for the long-term promotion of small-scale production, rather than just providing short-term amelioration of the effects of adjustment.

PRINCIPLE 4

The United States should give strong support to agrarian reform, promote diverse forms of property ownership, and stress programs and policies that give assistance to small and medium-sized farmers.

Successful long-term development in the largely agrarian economies of Central America depends on mobilizing the productive capacity of the rural population. To do this, development policies must be inclusive, targeting those traditionally bypassed by official development efforts. They must seek to assure an adequate food supply for the entire population, as well as adequate income for the rural population. Broad-based property ownership is essential for long-term development and political stability and should allow for a variety of forms of property ownership.

Failure to give priority attention to the needs of small and medium-sized farmers contributes to declining health and well-being of the rural population, increasing environmental degradation and migration from rural to urban areas, and social unrest and instability.

Neither food security nor the needs of the vast majority of small and medium-sized producers has figured as a priority in recent U.S. assistance programs and policies in Central America, which have emphasized the promotion of "non-traditional" agricultural exports and have involved only relatively few producers. In addition, conditions attached to U.S. aid requiring the rapid removal of protective tariffs and donations of food aid in competition with local crops have often undermined small-scale production. The U.S. position on land reforms in Central America has wavered according to the political winds of the moment, as has its support for diverse forms of property ownership.

Policy Recommendations

- a. The United States, both through AID and the State Department, should clearly articulate a policy that supports, not discourages, efforts within each country to preserve or broaden land reform where necessary. First steps would include:
 1. Providing substantial additional funding to the Salvadoran Land Bank and ensuring that the beneficiaries are the poor.
 2. Placing no conditions on aid to Nicaragua that require property agreements undermining land reform.

There should be no discrimination in U.S. aid programs or in U.S.-funded Central American programs against various forms of property ownership, such as cooperative or worker-owned enterprises. This would include groups of workers attempting to buy full or partial worker ownership of state enterprises being privatized.

- b. The United States should advocate the participation of representatives of small and medium-sized producer associations in the formulation of national agricultural-sector policies such as credit, tariffs and pricing. AID should consult such associations when formulating its own aid policies related to the agricultural sector.
- c. AID should support the development and operation of various credit programs that effectively provide adequate credit at reasonable rates to small and medium-sized farmers.
- d. AID should fund programs for technical assistance and extension services, especially for production and marketing for small and medium-sized farmers. Programs to promote production of non-traditional crops should give priority in technical and marketing assistance to small and medium-sized producers. AID should support research by Central American research centers that are working with producers associations, cooperatives, and NGOs to identify the needs of small and medium-sized farmers and to disseminate findings to these producers.
- e. Food security should be a priority in AID and Food for Peace (PL480) programs. U.S. food aid programs should support national food security plans, support small farmers and improve domestic food production through use of local counterpart funds, involve small farmers' organizations in planning of food aid programs, and should be provided only when it can be assured that such assistance will not create a disincentive for local production. The United States should certify that the level of food aid is consistent with need in each country, and that resale prices are not lower than internal market prices. Where governments do not have the technical capability to estimate accurately food needs, assistance should be provided to help governments acquire that capacity.

PRINCIPLE 5

U.S. policy should acknowledge the necessary and appropriate roles for the public sector in development and work to enhance its capacity at both the national and local level.

Development requires the efforts of both the public and private sectors as well as civil society. The appropriate balance of these sectors needs to be determined on a country-by-country basis. All three require and deserve support to increase capacity and competence. In addition, sustainable development requires decentralization of the public sector and focused efforts to strengthen local government.

Long-standing debates over which sector should lead the development process are being overtaken by recent history, which points to a more pragmatic understanding of the different, but equally important, roles to be played by governments, markets, and civil society. Rigid formulas are less useful than ever before.

U.S. aid policy in recent years has emphasized heavily the private sector, conditioning aid on a series of reforms to reduce the role of the public sector while strengthening private enterprise. Broader support for the public sector and for effective decentralization and strengthening of democratic procedures in local government is needed.

Policy Recommendations

- a. AID should rethink the rigid approach that has placed an overriding emphasis on the private sector as the preeminent leader of economic development. It should adopt a more flexible approach, which recognizes the appropriate role of public and private sectors and civil society in each country and is less ideological and more rational on the issue of state enterprises.
- b. AID should work collaboratively with other donor agencies, as well as consulting with Central American government, non-governmental and grassroots organizations and research institutes, to support reform of public sector institutions. These reforms should include training for planning and implementation of projects, decentralization of government services and strengthening of local government.

PRINCIPLE 6

The United States should increase investment in human resource development in Central America and should advocate with the region's governments to do the same.

The health and education of the poor majorities in Central America should be improved dramatically both as a matter of justice and as an essential ingredient in long-term economic and social development. Improved programs for health and education are particularly necessary to increase the well-being of women and children. A sound society must invest in the young in order to invest in its future. Government social programs in the region (with the exception of Costa Rica) traditionally have been severely underfunded and ineffective. Structural adjustment programs, while focusing greater attention on the inadequacies of government programs and institutions for addressing tremendous unmet social needs, have exacerbated this situation by further reducing social spending and privatizing essential services.

Policy Recommendations

- a. Adjustment plans designed to reduce government deficits should not cut into already minimal social spending. The United States, through AID and its representatives to the multilaterals, should instead support lowering military expenditures and increasing government revenues through progressive tax regimes and effective tax collection.
- b. The United States should increase the proportion of its assistance to the region dedicated to health and education, including for literacy, adult education, vocational education, immunization and prenatal care. It should advocate and support structural reforms that will increase the capacity of national and local governments to assess the extent and causes of poverty and plan, implement, and evaluate effective social programs. Such reforms should be designed with the participation of a broad range of local groups.

PRINCIPLE 7

U.S. assistance should support women's productive and reproductive roles with development resources.

Women have traditionally faced discrimination that has limited their access to resources and prevented them from sharing equally in the benefits of development. In recent years they have been hurt disproportionately by the region's economic crises and by structural adjustment measures that have reduced social spending and forced them into low-wage employment under poor working conditions. In many cases women have been forced into the triple burden of earning the family income, performing household duties and providing the social support systems upon which the family and economy depends, while facing increasingly limited economic opportunities and social support themselves. Directing resources specifically to women and women's organizations, training and productive activities could help to rectify this imbalance and has been demonstrated to be especially effective in reducing poverty.

Policy Recommendations

- a. U.S. assistance programs should provide equal access to Central American women and women's organizations to productive resources and services, such as credit, training and agricultural extension, as well as ensuring that Central American women are integrally involved in the design, implementation and evaluation of these programs.
- b. U.S. assistance should emphasize programs that respond to women's needs, including strengthening community-based education, child-care and health programs (including reproductive and occupational health services*) and other social services identified by poor women.
- c. The U.S. government should require gender-impact assessments of the projects and policies it funds that include input from Central American women's organizations. No program, including structural adjustment, deemed likely to weaken women's economic or social status within the family, work place or society should receive funding by the U.S. government.

* There is no consensus among the endorsers of "A Fresh Start" on issues pertaining to the termination of pregnancy or methods of contraception

PRINCIPLE 8

To ensure that expanded U.S. trade and investment in Central America contributes to better living standards for the working people of the hemisphere, U.S. trade benefits and related aid programs should be strictly conditioned on respect for internationally recognized worker rights.

Since 1980, AID has provided over a billion dollars for the establishment of export-processing zones in Central America. As the region's economies build these zones and undergo adjustments to boost exports to take advantage of expanded trade opportunities, workers in these sectors are denied the most basic of rights. Abuses are particularly common in the low-wage assembly plants, where child labor, unsanitary and unsafe working conditions, subminimum wages and sexual harassment are endemic. Worker attempts to form independent trade unions to improve these conditions have been stifled by illegal firings, bureaucratic delays, threats and physical violence.

U.S. trade benefits already in existence for Central America under the Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI) have been conditioned by law since 1984 on protection of workers' rights, including the right to form unions, to humane working conditions and prohibitions on child labor. This law, however, has been selectively and weakly enforced.

Policy Recommendations

- a. Existing U.S. law linking trade to worker rights should be strictly enforced. GSP and CBI benefits should be suspended when basic worker rights are not protected. As the Administration reviews the GSP status of Guatemala and El Salvador, two countries now under review, it should consult closely with trade union leaders and workers in these countries to determine whether conditions in U.S. law have been satisfied.
- b. Worker rights protection should be strengthened in any legislation to reauthorize the GSP program, which expires in 1994. Violence against unionists that can be reasonably linked to their trade union activities should be explicitly recognized as an abuse of worker rights.
- c. Worker rights conditions on AID export promotion programs in Central America in the FY93 foreign aid appropriations bill should be strictly enforced and these provisions should be made permanent in foreign aid legislation. All AID officials involved in the design or implementation of these programs should receive training on worker rights standards and the requirements of U.S. law.
- d. Any labor rights protection incorporated in NAFTA and supplemental agreements to NAFTA should be extended to subsequent trade agreements reached with Central American countries.

PRINCIPLE 9

Any trade agreements between the United States and Central American countries should be negotiated with the participation of citizens' groups from all of the countries involved.

Trade agreements negotiated without citizen input have the potential to undermine small business and agricultural production, as well as labor and environmental conditions and standards, in all of the countries involved. Unless trade agreements explicitly affirm each country's right to define development policies and incorporate strict enforcement of labor rights and environmental standards, the benefits of expanded trade will not extend to the majority of the population.

Policy Recommendations

- a. Congress should condition authority for the negotiation of any future trade agreements on the requirement that representatives of citizens' organizations from all countries involved, including representatives of affected sectors such as labor, the environment and agriculture, be included in the negotiations process and that the final agreement reflect that input.
- b. Congress should mandate that access to benefits under any trade program or agreement be conditioned on the enforcement of environmental laws and internationally recognized labor standards and that these accords explicitly affirm the parties' commitment to raising labor and environmental standards to the highest levels prevailing among the parties.
- c. Congress should insist that the dispute resolution mechanism under any trade agreement be open and accessible to the public and that interested citizens be given legal standing to bring cases involving violations of environmental and/or labor rights and standards before this mechanism, which must include adequate and legitimate representation by workers, small-scale producers and local communities.

PRINCIPLE 10

U.S. assistance should support environmental sustainability in economic development policies and projects. Development policies and projects must be accompanied by an assessment of their environmental impact that includes input from non-governmental and grassroots organizations, along with a strategy for changing any harmful projects and policies and dealing with their negative impact.

Central America's environment has long suffered degradation due in large part to inadequate planning and regulation and the unequal distribution of assets. Current economic policies being implemented in the region have exacerbated these problems in at least three ways: growing poverty resulting from the economic crisis has forced people to move to marginal lands and overuse scarce natural resources; increasing exports of natural resources has escalated deforestation, soil erosion, desertification and water pollution; and very low government spending on environmental protection has led to lax enforcement of environmental regulations. These problems have been compounded by the effects of the region's wars.

Policy Recommendations

- a. U.S. assistance should be directed to long-term, sustainable development, including the protection of Central America's natural resource base. Such funding should promote production methods suited to local environmental conditions, develop renewable energy resources, and improve forestry management and soil conservation. These funding programs should also include financial and technical assistance to Central American governments to enable them to design adequate environmental laws and properly enforce them.
- b. U.S. assistance programs should require environmental impact assessments of the projects and policies it funds that include input from Central American environmental, development and other citizens' and community-based organizations. No project or policy, economic reform programs, deemed damaging to the environment should be funded by AID. Congress should direct the U.S. representatives to the World Bank, IMF and IDB to oppose any project or program which receives a negative environmental impact assessment.

PRINCIPLE 11

The United States should support debt relief to all Central American governments in a manner that enables those governments to redirect resources to the development needs of their people.

The burden of debt repayment has been placed on those least responsible for incurring it and least able to shoulder that burden: the poor and working people in the region, especially women, through programs of austerity, adjustment and regressive taxation, and U.S. taxpayers, through the indirect bailouts of commercial banks. Any official debt-reduction program should include significant write-offs of loans already written down by commercial banks. This debt relief should be conditioned on Central American governments taking measures to achieve economic goals mutually agreed on by donors, recipient governments and civil societies rather than on compliance with IMF/World Bank structural adjustment programs.

Policy Recommendations

- a. Congress should condition any debt forgiveness or participation in debt swaps on a government's demonstrated commitment to its people's well-being, including such concerns as respect for human rights and a commitment to principles of sustainable development.
- b. The U.S. should pledge to uphold the Trinidad Terms in Central America: to forgive 50 percent of the entire debt stock; allow a grace period for repayment; and reduce the interest charged on the remaining principal. This debt relief should be conditioned on improvements in economic and social indicators, including improved distribution of income, not on IMF/World Bank structural adjustment programs.
- c. When commercial banks receive tax credits for setting aside reserves to cover bad loans taken or guaranteed by Central American governments, those governments should receive corresponding commercial debt relief. Congress should ensure that U.S. commercial banks collectively forgive at least as much commercial debt owed by each of the region's governments as the official creditors provide through Paris Club debt rescheduling, so that debtor-country governments are not forced to use funds freed up by official debt relief to service their commercial bank debt.

PRINCIPLE 12

U.S. policy should emphasize respect for human rights to ensure the freedom of association and the leadership development essential to genuine participatory development. The rights of indigenous populations should be of particular concern.

This last principle brings us back full circle: the participatory development that U.S. assistance should support cannot survive without ongoing attention to human rights. Central Americans have suffered severely from human rights abuses that prevent non-violent social change as community, labor, indigenous and religious leaders and activists are targeted by those opposed to popular social or political goals. Democracy cannot exist without a strict observance of human rights and the subordination of military to civil society throughout the region.

Policy Recommendations

- a. The United States should incorporate human rights considerations into all aspects of its foreign aid policy. Where necessary, particularly in Guatemala, aid should be conditioned on respect for human rights.
- b. The US should collaborate with multilateral solutions to increasing respect for human rights and democratization throughout the Central American region.
- c. Because of the devastating effects that these abuses have had on indigenous communities, the U.S. should be vigilant in monitoring and promoting respect for indigenous rights and cultural diversity.

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Questions submitted by Representative Benjamin A. Gilman

Question for Mr. Bissell: I see several references in your testimony to the potential utility of creating some kind of "fund for sustainable development." Could you provide a clear rationale for why the Congress ought to consider such a new approach?

Answer: The references in my testimony to a "sustainable development fund" are in response to several important issues that have emerged in the development community's consideration of the Administration's draft bill.

The first is that the U.S., in this draft legislation, is proposing a dramatic new approach to economic and social development -- that it meet a set of "sustainability" criteria that have not been given such prominence before. I am concerned that the traditional USAID structure will not be able to deliver on such a promised target. The institutional answer to such a mandate is likely to have to be something quite new -- an agency or operating foundation that can operate with sufficiently flexibility to meet the needs of broad-based participation and the complex needs of the environment, among other issues.

The second major issue is the evident treatment of sustainable development in the Administration's FY94 and proposed FY95 budgets. Bilateral aid for sustainable development has taken tremendous hits -- note, for instance, the dramatic 40% cut in support for food and agriculture -- and if USAID is aiming for a "de facto merger into the Department of State," as the Administrator put it last week, we can expect to see no serious follow-through on sustainable development. A rapidly rising percentage of the sustainable development category is going to multilaterals, and will not reflect the comparative advantage that private U.S. institutions bring to these development problems.

Both issues, it seems to me, argue for giving Title I in the draft the protection of a separate structure, whether inside, close to, or outside the government. Creating a Sustainable Development Fund with its own authorizing language would go far to provide that protection.

Question for Mr. Bissell: When you discuss the creation of a Sustainable Development Fund, that sounds like a radical departure from past practice. Are there any precedents?

Answer: In fact, there are innumerable precedents, both within the International Affairs account and elsewhere in government practice. Much depends on whether the Sustainable Development Fund would continue to operate within the U.S. government, would be a government-funded institution with management appointed by the President, or if it would be fully independent with a private board sustained by appropriations and/or an endowment.

Some of the precedents would be the following:

(1) the Development Fund for Africa, which has operated within USAID for the last seven years, has its own authorization language to deal with the special, long-term development problems on that continent. The new legislation, unfortunately, undermines the DFA authorities, and the Sustainable Development Fund would be a way of providing renewed protection for the special needs of Africa through SDF authorities. I understand that the Commodity Credit Corporation, in the Department of Agriculture, operates under much of the same guidelines.

(2) the Inter-American Foundation and African Development Foundation have been part of the International Affairs account since their founding, operate under federal charter, and provide development grants to their respective regions. They have pioneered much of the grassroots grant-making capacity for the U.S., and with the president of each foundation appointed by the President, the linkage with long-term U.S. interests is maintained.

(3) the U.S. Institute for Peace and the National Endowment for Democracy operate with annual appropriations from the government, but have independent boards named by the President. They operate with much greater independence than the other models, with continuing oversight on the boards accomplished only through ex-officio representation from the relevant executive branch departments.

My point in citing these institutions is not to recommend one over another as the appropriate model, but only to argue that in every sense, there are precedents for the creation of a Sustainable Development Fund.

Question for Mr. Bissell: If this Committee were to consider seriously the creation of the Sustainable Development Fund you recommend, what would be the most important advantages of such a Fund?

Answer: The advantages of a Sustainable Development Fund ought to be (if the SDF is properly constructed): (1) a more visible and concrete commitment from the U.S. to carrying out the new goals of the foreign assistance authorization; (2) the ability to focus more clearly on development goals, as opposed the sundry foreign interests that otherwise become entangled in an assistance program; (3) the ability to respond more quickly and flexibly to needs in developing countries; (4) the ability to involve non-governmental organizations and grassroots organizations more easily in decision-making and project implementation; (5) the long-term focus of such an SDF insulates the development process from year-to-year swings of appropriations, and (6) enhanced flexibility to marshal the technical resources to meet economic, social, and environmental needs for the 21st century in developing countries.

It would also allow the State Department to focus on what is ought to be doing, and can do best if focussed: coordinating all international affairs activities. Efforts in the past to coordinate foreign assistance programs in various agencies and departments have suffered from a lukewarm investment by the State Department in chairing such efforts. It is now time to have the State Department fully engaged in such efforts, now that the stakes are higher and the costs greater if we continue to suffer duplication among the many departments involved in foreign assistance.

Question for Mr. Bissell: This sounds like an enormous undertaking, to create a Sustainable Development Fund from scratch to carry out what looks like a \$2 billion program. Do we phase this in, a small piece at a time?

Answer: I don't think that phasing is necessary. The current Agency for International Development has many of the human resources necessary to start up the SDF. The most important change would be for the SDF to throw out most of USAID's operating handbooks, and to come up with a user-friendly, partner-friendly set of procedures, and then to move rapidly into business. Much of what has already been accomplished by the Development Fund for Africa (a \$800 million operation) can be adapted for the SDF. If the Congress were to authorize the SDF in FY95 legislation, I believe it could be up and running by October 1, 1994, with the funds the Administration is requesting for sustainable development.

Question for Mr. Bissell: One area where U.S. development activities differ from foreign donors is our field presence. In your testimony you praised actions by AID Administrator Atwood for announcing the closing of 21 offices. Does our foreign assistance effort need to maintain its foreign presence? If so, what criteria should be applied in determining where we maintain a large presence? In case where a presence is desired, have you thought about alternative ways of maintaining that presence?

Answer: The U.S. foreign assistance program is consistently praised in peer reviews, such as the Organization for Economic Cooperation and Development (OECD) in Paris, for the quality of its field presence. Particularly with regard to the kinds of programs developed in recent years -- multi-sectoral and involving intense, continuous policy dialogue with host governments -- the advantages of a dedicated foreign service development officer corps have been growing. At the same time, it has to be pointed out that such a field presence is still operated, in many ways, according to standards and costs of the 1960s, not the 1990s. In today's world, the field missions are very effective, but they are not efficient.

What do I mean by that? Before modern communications and jet airplanes, AID field missions had to be largely self-sufficient. They

also operated in many countries entirely "pre-modern" in terms of services and infrastructure. Such circumstances have changed. AID's field missions are now in 24-hour contact with the Washington offices, can put people into the field in 20 hours anywhere in the world, and in most countries, can hire a variety of U.S.-caliber skills in many fields among the host country nationals. As a result, AID has a major job ahead identifying the opportunities in lowering the effective costs of their high-quality field missions.

There are many alternative modes for staffing a field presence today: for example, many functions (particularly administrative, such as accounting) could be done just as well in Washington, certain technical personnel could be located at a central regional mission or in Washington, flying to particular countries as needed, and as mentioned before, more personnel could be hired locally. AID can also work more closely with U.S. institutions that now have full-fledged development credentials, turning over the entire management of a field program to a PVO or a contractor where the match of needs and capabilities can be made. That "privatization" of field services could be especially attractive in some of the smaller countries where our direct-hire presence is less important, and the cost-benefit ratio of placing foreign service officers at \$250,000 per person is not positive.

Question for Mr. Bissell: One of the advantages you suggest for a sustainable development fund is to protect development from becoming captive to trendy themes, like population control and democratization. How would you propose the fund to be structured to insure sufficient attention to child survival, agricultural research and broad-based economic growth?

Answer: The way to capture a much broader understanding of sustainable development is to state the priorities, and set the goals, of the implementing institution quite clearly. Too much of the tone in the proposed authorization appears to forget that our foreign assistance program was established to assist the poor. While AID has had tremendous impact in the past, and indeed, billions are now fed as a result of the agricultural research we have undertaken on rice and wheat, there still remain one billion people chronically hungry and without potable water, struggling to survive on less than \$400/person.

The priorities of the fund can be drafted to reflect the fact that such people's lives are focussed on very basic issues: food, water, shelter, and where it is cold, heat. Their access to such needs has to be met through simple income opportunities, such as microenterprises. What they need is sustainable access to the basics of life. And not to pretend that there is a "silver bullet" to solve their problems. Neither giving people the vote nor reducing CO2 emissions will solve the real needs of such people, and a program of assistance that does not give the poor adequate attention is not part of the American tradition.

The design of a foreign assistance authorization can too easily become an effort to woo the American voter to support foreign aid. It is dangerous, when we begin to project the concerns of our \$20,000/capita life style onto the poor people of Asia, Africa, and Latin America. A sustainable development fund would have the autonomy to design programs that met global needs, with priorities set according to grassroots realities.

WEDNESDAY, FEBRUARY 23, 1994

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February 23, 1994

The Honorable Martin Olav Sabo
Chairman
Committee on the Budget
H-214 O'Neill House Office Building
Washington, D.C. 20515

Dear Mr. ~~Chapman~~ Chapman:

Pursuant to Public Law 93-344, as amended, the Committee on Foreign Affairs recommends that the concurrent resolution on the budget for fiscal year 1995 assume \$20.861 billion in budget authority for discretionary programs in the international affairs (150) category. The Committee on Foreign Affairs will defer to the Committee on Budget with respect to the computation of the outlay impact of this recommendation.

The Committee's recommendation is based on a variety of factors. First, the President's budget submission has altered fundamentally the nature of the international affairs account. Traditional categories of assistance have been removed and replaced with categories which reflect the Administration's emphasis on results. Assistance under the Administration's request will be directed at meeting six basic objectives: promoting U.S. prosperity, building democracy, promoting sustainable development, promoting peace, providing humanitarian assistance, and advancing diplomacy.

The Administration proposed this revision in the international affairs function in order to maximize scarce foreign assistance resources and to make more effective the programs conducted under this function. This spring, the Committee on Foreign Affairs expects to consider legislation rewriting the Foreign Assistance Act of 1961 to reflect the emphasis on results.

Second, despite the end of the Cold War, the need for foreign assistance resources has not decreased, and in fact now may be greater than ever. Assistance to the new democracies of Eastern Europe and the independent states of the former Soviet Union has contributed to efforts to develop free market economies and democratic institutions in those states. We continue to have a stake in ensuring that foreign assistance resources promote economic and democratic reforms in these regions.

Progress in Arab-Israeli peace talks and the signing of a joint Israeli-Palestinian Liberation Organization statement of principles and agreement on recognition on September 13, 1993 have reinvigorated the Middle East peace process. Economic and security assistance for Egypt and Israel

as well as economic assistance from the United States and its allies for the West Bank and Gaza will be key to maintaining and strengthening the environment for further progress in the peace talks.

With respect to the developing world, the amount requested by the President for fiscal year 1995 will allow the United States to assist countries, especially in Africa, to become more self-sustaining and to address problems that will negatively impact on their economic growth, including overpopulation and environmental degradation.

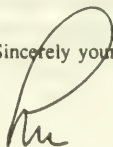
Finally, U.S. treaty commitments to the United Nations also must be addressed. The President's request of \$533 million in the 150 budget and \$300 million in the 050 national defense budget for peacekeeping activities are essential to address a U.N. financial crisis caused in part by massive U.S. arrearages in this account. These funds support operations in the Middle East, Africa, and other areas in which the United States has important interests.

Thank you for your consideration of this recommendation. My colleague, the Honorable Ben Gilman, ranking minority member of the Committee, has indicated that he may want to send a separate letter expressing his views on the President's request.

I look forward to working with you and your committee on these issues as the concurrent resolution on the fiscal year 1995 budget moves through the legislative process.

With best wishes,

Sincerely yours,

A handwritten signature in dark ink, appearing to be 'LH', with a large, looping flourish above it.

Lee H. Hamilton
Chairman

LHH/baf

CC: The Honorable John R. Kasich, Ranking Minority
Member, Committee on the Budget
The Honorable Benjamin A. Gilman

FY 1995 INTERNATIONAL AFFAIRS (FUNCTION 150) BUDGET

RELEASE EMBARGOED UNTIL 2/7/94

(Budget Authority - \$ Millions)

	FY 1994 Enacted	FY 1995 Request	Difference
PROMOTING U.S. PROSPERITY THROUGH TRADE, INVESTMENT, AND EMPLOYMENT			
Export-Import Financing	1,037	1,038	1
Food Export Promotion (P.L. 480 - Title I)	718	798	78
Trade and Development	395	312	(83)
Overseas Private Investment Credit Activities	40	45	5
Overseas Private Investment Non-Credit Activities	17	20	3
	(133)	(135)	(2)
BUILDING DEMOCRACY			
New Independent States of Former Soviet Union	3,877	2,853	(824)
NIS Assistance (Defense Transfers to USAID)	891	900	9
Central and Eastern Europe	919	—	(919)
Countries in Transition	390	380	(10)
Information and Exchange	124	143	19
	1,353	1,430	77
PROMOTING SUSTAINABLE DEVELOPMENT			
Multilateral Development Banks, IMF, and Debt Reduction	4,374	4,974	600
State Department and USAID Programs	1,485	2,109	624
Broad-Based Economic Growth (Including P.L. 480 Title II)	(2,821)	(2,591)	(30)
Stabilization of World Population Growth	1,864	1,477	(187)
Protection of Global Environment	502	585	83
Support for Democratic Participation	292	350	58
Peace Corps and Other Agencies	163	179	16
	268	274	—
PROMOTING PEACE			
Regional Peace and Security	6,843	6,431	(412)
of which: Middle East Peace Process	5,430	5,480	50
of which: Military Loans Subsidy	(5,176)	(5,225)	(49)
Peacekeeping Programs	47	60	13
Peacekeeping Supplemental	477	608	131
Non-Proliferation and Disarmament	870	—	(870)
Narcotics, Terrorism, and Crime Prevention	94	111	17
	172	252	80
PROVIDING HUMANITARIAN ASSISTANCE			
Refugee Assistance	1,703	1,826	(77)
Disaster Assistance (Including Crisis and Transition Initiative)	720	883	(37)
Food Assistance (P.L. 480-Title II)	181	170	9
	822	773	(49)
ADVANCING DIPLOMACY			
State Department Operations	4,004	4,146	142
State Department Small Programs	2,535	2,623	88
United Nations and Other Affiliates (Assessed)	49	42	(7)
USAID Operating Expenses	881	914	53
	559	567	8
Non-State Small Programs			
Enacted Rescissions and Savings	73	74	1
Proposed Rescissions	(474)	(282)	192
	(424)		424
Total (Discretionary Programs)*	20,817	20,861	44

*Totals may not add due to rounding.

20,861

04-7-94 95-2802

APPENDIX 4

THURSDAY, FEBRUARY 24, 1994

PREPARED STATEMENT OF HON. WARREN CHRISTOPHER, SECRETARY OF STATE

Mr. Chairman, members of the Committee. I am pleased to be back before the House Foreign Affairs Committee and to talk to you today about the priorities driving American foreign policy, and about our fiscal 1995 budget proposal. The President and I value your expertise and advice as we work to advance the security and prosperity of the American people.

In these last months, Mr. Chairman, we have achieved several important successes. These achievements have improved prospects for our economic future and brought us closer to the promise of a safer world. None of these successes would have been possible without steadfast American leadership.

In NAFTA and the Uruguay Round of the GATT, we have concluded two of the most important trade agreements of our time. We have reached agreements with Russia, Ukraine, Kazakhstan and Belarus to ensure that no nuclear states emerge from the former Soviet Union. Through the Partnership for Peace, we are renewing history's most successful alliance, NATO, to meet the challenges of an undivided Europe. And in Bosnia, after two years of tragic violence, we have mobilized NATO to force Serbian artillery from the hills of Sarajevo.

Much has changed in the world since the Berlin Wall crumbled and the cruel divisions of the Cold War disappeared. Containment is no longer the central strategic imperative of American foreign policy. To be sure, we face many new complications, many new dangers. But complexity should not be a cause for complaint.

Where some see uncertainty, I prefer to see possibility. The changes in the world make it possible for us to pursue enduring interests with renewed hope of success. Goals that eluded us for decades, from peace in the Middle East to freedom in South Africa, are now within reach.

In this time of profound transition, our major task in setting this nation's foreign policy course is clear: To identify with care and to pursue with tenacity those interests that are vital to the continued safety and prosperity of the American people.

Earlier this month, the President forwarded to the Congress the Peace, Prosperity and Democracy Act (PPDA), which defines the overall national security objectives of the United States for the post-Cold War era. Its passage is a top legislative priority for this Administration. The President's fiscal 1995 budget is consistent with the objectives outlined in the act. I would like to spend some time with you today focusing on six strategic priorities within these overall objectives.

After that review, I will address briefly how we propose to allocate our resources in support of these priorities and our other foreign policy objectives. Our proposed fiscal 1995 budget is the first true post-Cold War foreign affairs budget. Indeed, the priorities we have set, the budget that we have proposed and the reorientation of foreign assistance through the proposed PPDA all embody President Clinton's vision of the new challenges facing American foreign policy in the 21st century. Those challenges are promoting democracy, enhancing economic security and confronting both new and old threats to our security.

But before describing our top priorities and our budget with you, I will address events of current concern to members of this Committee and the American people, and that have a direct effect on one of those strategic priorities: our interest in a secure and stable Europe. I want to begin by reviewing where matters stand in Bosnia.

Bosnia

We look forward to a new and more hopeful chapter in Bosnia. The cease-fire that now prevails in the embattled city of Sarajevo represents a unique collaborative effort of the United States, the European Union, NATO, Russia and the United Nations. The United States is committed to engage actively in the peace process in the former Yugoslavia. We will bring our full diplomatic weight to bear on finding a solution that can stop the killing.

Congress and the American people should have a clear understanding of the national interests that have guided our actions. As President Clinton stated last Saturday, we have a strategic interest in preventing this conflict from threatening our NATO allies or undermining the transition of former communist states to peaceful democracies. We have a political interest in ensuring the credibility and integrity of the NATO Alliance -- an Alliance that has appealed to us for leadership in addressing this crisis. We have an important interest in curbing the destabilizing flight of refugees from the region. And certainly we have a humanitarian interest in opposing the horrors of ethnic cleansing and easing the plight of those at risk of starvation.

It was this assessment of our interests that led President Clinton to propose and win NATO agreement to threaten air strikes to stop the killing of civilians in Sarajevo and to give new impetus to the peace process. As you know, on February 9, NATO ordered all heavy weapons threatening the city to be placed under UN control, or removed to a 20-kilometer exclusion zone around the city.

To date, four days after the 10-day implementation deadline, that ultimatum has been effective. This is in large measure because of the firmness and solidarity of the NATO

Alliance, led by the United States. After direct talks between Presidents Clinton and Yeltsin, the Russians have pressed to gain Bosnian Serb compliance with the NATO ultimatum.

Let no one doubt our resolve to use force if necessary. If heavy weapons return to Sarajevo, they will be subject to attack. If the shelling of Sarajevo resumes, the heavy weapons responsible, wherever located, will be subject to attack. We will provide close air support if UN troops are attacked and ask for help. And we will consider whether the approach used to stop the shelling in Sarajevo can be applied effectively elsewhere in Bosnia. Our interests have no expiration date -- nor does the NATO decision that those interests inspired.

At the President's direction, we are now engaged actively with the parties and other interested nations to achieve a settlement that will ensure a viable Bosnian state and a lasting peace. We will work closely with the Bosnian Government to determine its reasonable requirements for a negotiated settlement, and help it achieve them. We will count on the European Union and Russia to work together with us to convince the other parties -- principally the Serbs -- to settle. If there is a viable settlement, the United States reaffirms its readiness to participate, with Congressional concurrence, in a NATO effort to implement the settlement. We are also working to help facilitate a rapprochement between Muslim and Croatian forces in Bosnia.

I do not want to create the impression that success is around the corner. The negotiations are difficult and highly complex. But with a clear understanding of what our interests are and how they can be served, the United States will work with diligence and persistence to assist the parties in reaching an agreement that will endure. The momentum and enhanced credibility that come from the Sarajevo initiative open up several new possibilities. We will be pursuing every avenue to peace.

Mr. Chairman, as important and troubling as the problems in Bosnia may loom today, we cannot let them turn us from pursuit of our broader foreign policy goals. Let me now review with you our progress in advancing the six strategic priorities of our foreign policy, as well as the resources that support those and other national security objectives.

1. Promoting Economic Security Through Global Growth

I have identified economic security as the first of these priorities--even at the expense of challenging foreign policy orthodoxy. In the post-Cold War world, economic issues must be at the heart of both our domestic and foreign policy. President Clinton is spearheading, with striking success, the most important and ambitious international economic agenda of any President in nearly half a century.

With NAFTA, APEC, and GATT, there was an extraordinary convergence of opportunity for the United States. I am pleased that we pulled off that triple play for America's economic future.

When Congress approved NAFTA, we created opportunities for high-paying export jobs at home, and we built a bridge of greater economic and political cooperation to Latin America, beginning with Mexico. When the President hosted a successful meeting of the Asia-Pacific Economic Cooperation forum in Seattle, we reached out to a dynamic region that attracts an increasing volume of U.S. exports and supports high-wage American jobs. When we ended the Uruguay Round negotiations successfully, we helped forge the most far-reaching trade agreement in history.

The President's determination to put economic policy at the heart of our foreign policy is evident in the areas where we have succeeded. It is equally evident in an arena where we are still working for success: our economic relations with Japan.

This Administration remains committed to placing our trade and economic relationship with Japan on as firm a foundation as our security and diplomatic cooperation. The framework agreement reached with Japan last July is aimed at widening market access and correcting Japan's unacceptable trade imbalance with the world. But since then, the agreement has not been fulfilled.

We are considering our options. We do not want a trade war; we want trade opportunities. Japan has responsibilities as one of the world's largest economies and greatest trading nations; it must meet them. It must make good on its promises to us and to the rest of the world. I will be going to Japan in two weeks to reaffirm our position in discussions with Japanese leaders.

2. Advancing Reform in Russia and the Other NIS

Mr. Chairman, since this Administration took office, our policies toward Russia and the other New Independent States have been based on two key premises. First, reform in the former Soviet Union is in the overriding interest of the United States. Second, reform will not be easy and will require persistent and firm support from the international community.

We recognize the enormous difficulty of the region's multiple transformations from totalitarian to democratic institutions, from a command to a market economy and from a single empire to many independent states. We must be realistic in our expectations, steady in our support for reform and unequivocal in our opposition to forces whose policies are contrary to our interests.

Events in Russia over the past few months have revived fears about its future. But these events should be seen in perspective. For the first time in its history, Russia has an elected president, an elected parliament and a meaningful constitution. We are witnessing our era's boldest experiment in building democracy. We are also beginning to see a market economy emerge.

The dangers in Russia remain very real. We must be prepared for the possibility that reform could be reversed. But the Russian people should have no doubt that as long as they keep moving in the right direction, we will support them, as President Clinton made clear in Moscow last month.

The President has also made clear the importance he attaches to the independence and territorial integrity of Russia's neighbors. We recognize that Russia has obvious interests in developments on its borders, including concerns about the rights of ethnic Russians abroad. But we insist that Russia's behavior toward its neighbors conform with established principles of international law, including respect for the territorial integrity and independence of other states, as embodied in the UN Charter and the Helsinki Final Act. These principles must apply to any activities of Russian troops in neighboring states.

We must also be ready to work to ensure that Russia and its neighbors resolve their disputes peacefully. Our efforts have already helped achieve results. We are working to help bring about the full and timely withdrawal of all Russian troops from the Baltic states this year. And last month, after painstaking diplomacy and President Clinton's personal engagement, Ukraine signed the trilateral accord with the United States and Russia, opening the way for the elimination of nuclear weapons on its territory.

One of President Clinton's top national security priorities has been to ensure that the breakup of the former Soviet Union does not produce new nuclear states. We have now secured commitments to ensure that it will not. Ukrainian agreement to ratify START I and its commitment to join the Nuclear Non-Proliferation Treaty (NPT) clear the way for closer relations between our nations. This should reduce tension in a region that is vital to the long-term peace and stability of Europe.

3. Renewing the Transatlantic Alliance and NATO

Last month in Europe, President Clinton reaffirmed the vital importance of the transatlantic relationship to American security. From an economic standpoint, we strengthened the transatlantic partnership when the United States and the European Union came together to complete the Uruguay Round. The agreement will spur growth and create jobs on both sides of the Atlantic. It will also help the Central and Eastern European nations sustain the hard march of economic reform.

We must support the transition to market democracy in the East by beginning to extend to all of Europe the benefits and obligations of the same liberal trading system and collective security order that have been pillars of strength for the West. In addition to efforts to widen market access, we are promoting Western investment, and helping these countries to develop and strengthen democratic institutions and to absorb the social impact of reform.

The new European democracies are also yearning for a closer relationship with Western political and security institutions. At the NATO summit in January, the allies approved President Clinton's Partnership for Peace initiative to deepen NATO's engagement with the East and to begin an evolutionary process of NATO expansion. Already, 10 nations have begun the formal process to participate in the Partnership, and we expect more to follow soon.

4. Putting a New Focus on Asia and the Pacific

We are placing new emphasis on advancing our vital security and economic interests in the Asia-Pacific region. We also have an interest in promoting democratic values in a part of the world where democracy is on the move, yet repressive regimes remain.

As you know, the President's first overseas trip was to Asia. On that trip, the President told the Korean National Assembly, "We must always remember that security comes first." North Korea's threat to withdraw from the NPT is a challenge to security on the peninsula and to the global nuclear non-proliferation regime. The United States is working with South Korea, Japan and others in the region to ensure a non-nuclear Korean Peninsula and a strong international non-proliferation regime.

Our determination to achieve these goals is firm. Our preferred path is dialogue. We were encouraged that last week, North Korea announced it would accept the inspections required by the International Atomic Energy Agency (IAEA) to ensure the continuity of safeguards. It must now make good on its commitment to allow the inspections to take place as soon as possible, and without interference. Satisfactory completion of these inspections will help the IAEA determine whether there has been any diversion from these nuclear facilities.

The international community does not seek to isolate North Korea. If North Korea abandons its nuclear weapons option, honors its international obligations and takes other steps to conform to the norms of international behavior, the door is open for North Korea to improve relations with the rest of the world.

Turning to our wider objectives in the Asia-Pacific, we are determined to deepen American engagement in the region and achieve a better balance in our key bilateral relationships.

I have already emphasized the priority we attach to putting our economic relations with Japan on as sound a basis as our security and political relationships. We also are working to reach a greater balance in our relations with China. We seek a comprehensive relationship with China that permits resolution of differences over human rights, proliferation and trade. More progress on human rights must urgently be made if the President is to renew MFN this spring.

I emphasized these points in direct talks with Chinese officials last month, and will do so again next month in Beijing. I will reaffirm the seriousness with which both the Administration and the Congress approach these issues.

Earlier this month, the President announced he was lifting our trade embargo against Vietnam and establishing a liaison office in Hanoi. The President's decision was based on his assessment of Vietnam's cooperation and his conviction that these steps would stimulate continued progress on the fullest possible accounting for our POWs/MIAs. Our relations with Vietnam will continue to be guided by progress on this issue. In moving forward in our relationship, we will also emphasize human rights.

5. Promoting Peace in the Middle East

In the Middle East, achieving a just and comprehensive Arab-Israeli peace through direct negotiations is a high priority for this Administration. The President and I remain committed to playing as full and active a role as necessary to ensure that progress continues.

The agreement between the Israelis and the Palestinians achieved February 9 in Cairo demonstrates the kind of progress that is possible. While we want to see implementation get under way so that the realities on the ground will begin to change, we also want the parties to produce an agreement that will last.

As the Israelis and the Palestinians negotiate directly, we are helping facilitate and support the agreements. We also have been actively promoting progress on the other bilateral tracks. The President's mid-January meeting with Syrian President Asad in Geneva was a step forward that set the stage for the resumption of negotiations in Washington on all four bilateral tracks. On the Israeli-Syrian track, the negotiations have been serious, but it will take time to work through the complex relationships among the three core issues of peace, withdrawal and security. We have also seen a new energy and purpose on the other tracks. We are working to break down region-wide barriers to Arab-Israeli contact, to end the anachronistic Arab boycott, and to contain in separate ways potential threats from Iran and Iraq.

6. Putting Non-Proliferation and Other Global Issues In the Mainstream of American Foreign Policy

Mr. Chairman, we must continue our efforts to control the spread of both nuclear and advanced conventional weapons. I have already mentioned our efforts in Korea, where we still face the most immediate challenge, as well as the progress we have made in the former Soviet Union, our biggest success to date. Other areas of concern are the Middle East and South Asia.

Our regional strategies are complemented by a global effort to curb the demand for weapons of mass destruction. We are working to put a COCOM replacement regime in place, to extend the NPT indefinitely in 1995, and to negotiate a comprehensive test ban.

We urge the Congress to take up the Chemical Weapons Convention as a priority and to give its advice and consent to its ratification this spring and approval of the implementing legislation as soon as possible. Early support for ratification is necessary to ensure the Convention can enter into force by the earliest possible date. This Convention is a foreign policy priority of the Administration and a central element of our non-proliferation policy.

President Clinton has reasserted America's leadership on the global issues that affect the security and prosperity of our own and succeeding generations. These challenges include promoting sustainable development, stemming the upsurge in refugees and migration, combating terrorism and illegal narcotics, and supporting democracy and human rights.

Sustainable development requires a healthy global environment and a workable balance between available resources and population. Last year, President Clinton renewed American leadership on environmental issues when he signed the climate change agreement and Bio-Diversity Treaty stemming from the 1992 Rio conference. We are also working to ensure that the upcoming UN International Conference on Population and Development in Cairo will advance cooperation on population issues.

Two weeks ago, the President released the Administration's new drug control strategy. While America's first line of defense against drugs is to reduce abuse here at home, this epidemic must be fought on the international front as well. In key transit and drug-producing countries, we will focus on strengthening democratic institutions, creating economic alternatives to the narcotics trade, stepping up eradication, and dismantling drug cartels.

Our engagement in the Western Hemisphere advances our global agenda as well as our economic security. The Summit of the Americas that President Clinton will host later this year will focus on strengthening good governance, spurring trade, curbing narcotics, and promoting sustainable development.

Our policy toward Africa underscores the importance we attach to democracy and human rights. Africa faces pervasive poverty and massive human displacement. Continued international assistance and new private investment are needed to promote economic growth and to encourage political change.

In South Africa, we must help ensure that all that nation's citizens can participate in a peaceful multi-party election in April. We are developing an assistance package to help South Africa's people overcome the legacies of apartheid and secure the benefits of citizenship in a new democratic South Africa. The success of South Africa's democratic transition will have dramatic implications for the stability and development of the region.

Fiscal 1995 Budget

Mr. Chairman, I have reviewed our progress in advancing the current strategic priorities of our foreign policy. Our broader foreign policy goals are captured and given concrete expression in the PPDA, which provides the framework for our fiscal 1995 International Affairs budget.

Mr. Chairman, for more than 40 years, the International Affairs budget proceeded from the premise that our overriding national security objective was the containment of Soviet power. As you know, we are still operating under the Foreign Assistance Act of 1961. That is a relic of the Cold War, passed a few weeks after the Berlin Wall went up.

Even with the end of the Cold War, the budget continued to define national security in narrow terms, and failed to address the problems and possibilities presented by the fall of the Soviet Union. As the new priorities of the Clinton foreign policy demonstrate, we have been given -- and we have seized -- the chance to remake American diplomacy and to reinforce American security in a world unburdened by superpower confrontation.

Another piece of "new thinking" that underlies this budget is that there is no longer a bright line dividing domestic and foreign policy. In other words, this budget is not just about foreign aid; it supports our core responsibility of maintaining our national defense and promoting peace. At the same time, it broadens the concept of national security by placing greater emphasis on America's economic interests, building democracy, and meeting the threats posed by arms proliferation, environmental degradation, rapid population growth, illegal narcotics and terrorism.

This redefinition of national security also requires changes in the structure of our budget. The budget is organized around a number of mutually reinforcing goals, consistent with those in the Administration's proposed PPDA. It is to these larger objectives that I will now turn.

Promoting U.S. Prosperity

As I suggested to you when I reviewed our number one strategic priority -- our economic security -- America's prosperity is tied inextricably to the growth and integration of the global economy. Exports are the fastest growing source of high-paying jobs in our economy. To cite one powerful example, the \$6 billion airframe contract that Saudi Arabia awarded last week to Boeing and McDonnell Douglas means thousands of high-paying American jobs. The State Department and our Embassy in Riyadh actively supported our companies. At my instruction, our embassies around the world have elevated the priority they attach to advancing the interests of American exporters and investors.

To further these efforts, this budget funds the aggressive export promotion programs of Eximbank, OPIC, the Trade and Development Agency, and the Department of Agriculture. These programs are complemented by those of the Departments of Commerce and State, both at home and at our embassies.

In addition, AID is funding sustainable development programs that generate broad-based economic growth. By the year 2000, four out of every five consumers in the world will live in a developing country. This growth leads to increased demand for U.S. consumer and capital goods.

In all, this budget requests \$1 billion for programs designed to promote prosperity. This represents an investment in American jobs and in America's economic security.

Building Democracy

Building democracy is a long and difficult process that requires steady and patient support. But the rewards of success, measured against the costs of failure, amply justify our efforts.

The \$1.3 billion we have requested in fiscal 1995 would fund democracy-building programs in Central Europe and the former Soviet Union, a region where we have a vital interest in strengthening new democratic institutions.

Democratic and economic reform are complementary. The small business person, the entrepreneur, the small shareholder represent the potential heart of market democracy in Russia. These elements also have a stake in defending stable and inclusive political institutions. AID is focusing its technical assistance programs to help these groups.

Our budget also contains a new account to assist countries undergoing a transition to democracy. Most of these funds would be spent in Africa, Latin America and Asia. Another key component of our democracy program is funding for the National Endowment for Democracy, which strengthens institutions that

foster pluralism, democratic governance, civic education, human rights, and respect for the rule of law. And to amplify support for democracy, we must harness contemporary communications technology. The United States Information Agency is restructuring its capabilities to play this role.

Sustainable Development

As I mentioned in my review of our global priorities, the Administration believes we have paid too little attention to the interlocking threats of rapid population growth, poverty and environmental degradation. If we do not confront these crises, large parts of the world will be unable to sustain economic growth. The result will be widespread suffering abroad, and the loss of export opportunities for American companies, workers and farmers. By increasing funding for population and environmental programs, we promote sustainable development and invest in America's future.

We should also recognize that the global problems we face have little respect for international boundaries. Greenhouse gases emitted in South America are as dangerous to our health as greenhouse gases emitted in the United States. Yet the cost of cutting these emissions is four times higher here than it is in Brazil.

The United States is not alone in trying to address these issues. The multilateral development banks and the IMF advance similar goals. These institutions made more than \$45 billion in loans in 1993. They are the largest contributors to global sustainable development. Our contributions to these organizations multiply the effectiveness of our efforts.

Finally, this budget contains a modest increase for one of America's most successful and most admired programs, the Peace Corps. It represents America at its best -- idealism and expertise.

Promoting Peace

The largest share of our budget request, \$6.4 billion, is for promoting peace. More than 80% of this is for maintaining and advancing peace in the Middle East. At a time when there is so much hope -- and so many remaining dangers -- such funds are critical. Our programs will support our continuing commitment to Israel's security and at the same time reflect Egypt's vital role.

We are working to ensure that U.S. and international economic assistance to Gaza and the West Bank, proceeding from last October's Conference to Support Middle East Peace, leads to projects that improve the lives of the Palestinians. AID and OPIC will implement \$500 million in projects over the next five years. We are also assisting private sector efforts such as the "Builders for Peace" project of Arab-American and Jewish-American business leaders.

Also included in this section of the budget are funds for non-proliferation and disarmament, one of our strategic priorities. This includes funding for ACDA to implement the Chemical Weapons Convention, and efforts to extend the NPT and to strengthen the IAEA, which has been playing a key role in our efforts to prevent nuclear proliferation in Korea.

In addition, this budget category includes programs to counter narcotics, terrorism and crime. These are cost-effective programs that directly benefit the American people.

We have also requested funds for UN peacekeeping. As you know, Mr. Chairman, the Administration has completed its comprehensive review of our peacekeeping policy, and we are unanimous in support of its conclusions.

Our aim is not to expand our peacekeeping commitments. Instead we wish to establish a process for making sound judgments about when we participate in peacekeeping operations, and to improve the way the UN conducts peacekeeping operations. We will always reserve the right to act unilaterally to protect American interests. But when a collective, multi-national approach such as a peacekeeping operation best serves our interests, we want to ensure that it works effectively.

If you believe, as I do, that carefully defined UN peacekeeping operations are an effective means to defuse tensions and deter violence, and that the costs of such efforts should be shared with others, we must live up to our obligations to the UN. We expect to be \$1 billion in arrears to the UN for peacekeeping by the end of the fiscal year. If we do not find a way to pay these arrears, it is likely that the U.N. will have to close down some of its existing operations. We expect to begin consultations shortly with the Congress on how we might work together to address a growing funding problem for peacekeeping.

We believe that the Departments of State and Defense should share responsibility for managing and funding peacekeeping operations. We intend to ask tough questions before we vote to approve each new peacekeeping mission. What U.S. interests are at stake? Is the mission clearly defined, and is there an identifiable end point? Are resources available? We also will continue Ambassador Albright's efforts to reduce our peacekeeping assessments and establish an independent Inspector General at the UN.

I also want to mention a critical part of our policy: command and control of U.S. forces in peacekeeping operations. Let me state clearly that the President will never relinquish his ultimate command over U.S. forces. And under no circumstances will our military personnel be sent into situations in which hostilities are likely, unless there is proper command and control.

As a practical matter, when large-scale or high-risk combat operations are contemplated, and American involvement is necessary, we will be unlikely to accept UN operational control over our forces. Rather, we will ordinarily rely on our resources or those of a regional alliance, such as NATO, or on an appropriate coalition, such as the one assembled during Operation Desert Storm.

Finally, Mr. Chairman, we also want to improve cooperation and consultations between the Administration and Congress on peacekeeping operations. We have a number of proposals that we think will address your concerns, and we look forward to working with you. I particularly value and appreciate, Mr. Chairman, your leadership on this vital issue.

Humanitarian Assistance

Mr. Chairman, humanitarian assistance programs will always be part of our foreign policy because they reflect our ideals. This assistance also reinforces our interest in sustainable development.

We have requested \$1.6 billion for humanitarian assistance. These programs help refugees, alleviate the suffering caused by disasters, and provide food to impoverished people. Let me add, Mr. Chairman, that most of the world's humanitarian crises are man-made and, therefore, preventable. By promoting peace, fostering economic growth and building democracy, we hope over time to reduce future needs for such assistance.

Advancing Diplomacy

This budget request includes funds to support the operations of the Department of State, AID and our assessed contributions to international organizations. The effective use of diplomacy -- through early reporting, crisis prevention, and the effective use of membership in the UN and other international organizations -- is critical to success in achieving America's broad national security goals.

We are investing in the skills of the people who manage and execute our foreign policy and international programs. We are training them in the diplomatic disciplines of the future, including economic and global environmental issues, as well as export promotion.

The State Department and the other foreign affairs agencies are undertaking major reforms, working closely with Vice President Gore and the National Performance Review. The Department has instituted broad-based reorganization and reform of its operations to keep pace with change both here and abroad. In addition, the fiscal 1995 request strongly supports the President's plan for reducing administrative overhead and employment by assuming substantial savings in these areas.

Mr. Chairman, the President's fiscal 1995 budget defines our long-term policy objectives and funds the six strategic priorities I outlined earlier. This is an austere budget, consistent with the President's deficit reduction plan. It is also a budget with a single unifying theme: investing in the security and prosperity of the United States.

Questions for the Record Submitted to Secretary of State Warren Christopher
House Foreign Affairs Committee
February 24, 1994

Question:

What has been the estimated effect of sanctions imposed on China last August? Have any satellite launches been halted by sanctions, including the OPTUS B-3, Echostar, and Asiasat-2? Have any potential launches been cancelled because of sanctions? Has the Department established the criteria to assess the effectiveness of sanctions? If not, will it do so in the near future? With the recent granting of several license applications for the export of satellites, including a satellite "system" to Hughes, has the administration in effect tried to circumvent its own sanctions regime?

Answer:

The legislatively mandated sanctions have not been waived. They are being applied consistent with the appropriate licensing practices of the Departments of State and Commerce.

The sanctions law does not require the Administration to assess the effectiveness of sanctions. Indeed, it requires that sanctions decisions be reached without regard to the economic consequences of the sanctions.

The August 1993 sanctions imposed pursuant to the missile proliferation sanctions law amended the Arms Export Control Act, administered by the State Department and the Export Administration Act, administered by the Commerce Department. In so doing, it did not disturb the long-standing regulatory practice of either agency in administering its Act.

The missile sanctions law requires the denial of licenses for the transfer of MTCR Annex items to sanctioned Chinese entities and government activities. Satellites themselves are not listed on the MTCR Annex, but they may contain MTCR Annex components.

Under the State Department's "see-through" licensing practice, licenses for satellites containing MTCR component items on State's Munitions List are treated as licenses for the export of MTCR components. Under the sanctions law, those licenses must be denied. Since the effective date of the proliferation sanctions, the State Department has not issued any licenses for the transfer to sanctioned Chinese entities and government activities of MTCR annex items, including satellites with MTCR components.

Under the Commerce Department's longstanding licensing practice, dual-use MTCR annex items in a satellite lose their independent identity and do not themselves trigger a requirement for a separate license. The satellite itself is licensed as an integral unit, without reference to its components. Because satellites are not MTCR Annex items the sanctions law does not require that such licenses be denied by Commerce. The granting of such licenses by Commerce involves a determination that the satellite launch arrangements will not permit the Chinese to acquire militarily significant equipment or technology.

Two applications for exports valued cumulatively at USD 78.6 million are under consideration by Commerce. One satellite case approved by Commerce involves the launching in China of a third country's satellite under appropriate safeguards. For proprietary reasons, Commerce and State are not authorized to identify the U.S. suppliers.

Question:

Why does the Clinton Administration want to repeal the Migration and Refugee Assistance Act and place these valuable programs into the Foreign Assistance Act? These programs are currently authorized in the State Authorization Bill. Is the State Department looking to AID to take over these programs?

Answer:

The State Department will continue to manage the refugee and migration program.

-- With respect to Title IV of the proposed International Cooperation Act, State will administer Section 4101 - Refugee Assistance while AID will administer Section 4202 - Disaster Assistance.

-- Formal designation of responsibility will be set forth in the Executive Order which will implement the new Act.

The refugee and migration programs are important tools of U.S. foreign policy, combining crises management, humanitarian action and refugee resettlement, part of our immigration policy. The composite nature of refugee programs is an important reason to keep them in State.

-- Refugee authorities include the U.S. refugee admissions program (under the jurisdiction of the Judiciary Committees) as well as overseas assistance.,

-- Overseas assistance programs support U.S. objectives in responding to crises such as in Bosnia and Somalia.

-- The specific authorities of the Migration and Refugee Assistance Act -- such as the continuation of an Emergency Refugee and Migration Assistance Fund -- are carried over into the new bill.

Questions for the Record Submitted to Secretary of State Warren Christopher
by Congressman Gilman
Committee on Foreign Affairs
February 24, 1994

A. EXPORT CONTROLS-PROLIFERATION

In light of the current high-level attention now focused on proliferation dangers on the Korean peninsula and in China, can we afford to dismantle the only international system of export controls without a clear alternative to take its place? It is my understanding that Cocom is now scheduled to expire at the end of March with no alternative or successor regime in sight.

Answer:

COCOM was created in 1949 as a corollary to NATO. It was targeted against the strategic threat posed by the Warsaw Pact and other communist countries. It was never intended to guard against the very different and very serious proliferation threats that concern us today. Those new dangers are serious, but there are more uncertainties than in 1949. The spread of weapons of mass destruction and sophisticated conventional arms is perhaps the single most important security threat. Demand for such weapons is high, as in Iran and Libya. The new independent states in Central and Eastern Europe have new commercial incentives to expand trade in arms and sensitive dual-use items. In many cases, they also inherit weak export control systems.

Our post-Cold War export control policy must respond to these new security threats. The administration's approach is to:

- o Reduce demand for dangerous weapons and technologies through support for international non-proliferation norms and strategies to reduce regional instability.
- o Pursue a multilateral export control approach to achieve our non-proliferation goals, through the MTCR, Australia Group (AG), and the Nuclear Suppliers Group (NSG).
- o Design a new multilateral arrangement to replace COCOM, involving transparency and restraint in arms and sensitive items.

Is the U.S. likely to end up with a set of export control rules different from those of other countries? In light of the uncertainties surrounding Russia and the proliferation-promoting policies of China, not to speak of such countries as Libya, North Korea, Iran and Iraq, what is this administration doing to construct the best possible international regime to meet the proliferation challenges of the 1990s?

Answer:

COCOM served to expand cooperation among the Western countries (e.g., through elaboration of control lists, licensing standards, etc.). We wish to preserve these patterns of cooperation, which we consider very valuable in addressing new dangers to international peace and security through coordinated action with friends and allies.

High on our list of concerns is the need to ensure stability in the Middle East and South Asia, to deter destabilizing buildups of conventional weapons and other sensitive technologies and to prevent the acquisition of such items by dangerous states, such as Iran.

These factors led us to approach our allies in mid-1993 with a proposal to create a new, more broadly based mechanism with a security rationale tailored for the post-Cold War world. We outlined multiple objectives in our proposal:

- o To deal firmly and creatively with dangerous states (e.g., Iraq, Iran, North Korea, and Libya) that are contributing to tensions in regions like the Middle East;
- o To advance the process of engaging Russia and other newly independent states in the establishment of effective export control systems and in combating the global proliferation of weapons and sensitive dual-use technology;
- o To close gaps in the non-proliferation regimes and improve our ability to enhance regional stability by controlling conventional arms and sensitive dual-use sales on a multilateral basis for the first time; and
- o To remove disadvantages placed on U.S. exporters by the lack of adequate multilateral coordination on sensitive transfers to terrorist states and other threats.

Despite very substantial progress to date, there are a number of outstanding issues. For one, how far will our European allies and Russia go in joining with to keep dangerous technologies away from dangerous states? Second, will the new regime have real teeth, particularly regarding conventional

weapons? We have proposed a regime that involves a serious information exchange and scope for consultation and concerted action where the risks are acute.

There is also the issue of Russia's attitude toward the obligations entailed by membership in the new arrangement, in particular its commitment to responsible export control policy. We are continuing to discuss this question carefully and in detail with Russian authorities.

With respect to these outstanding issues, we will continue to press vigorously for a credible regime that will advance our mutual security interests as well as the interests of regional peace and security.

Has the Administration considered the designation of an Ambassador-at-large with the power and authority to act on the President's behalf in negotiating a new international export control system?

Answer:

It has not been considered necessary to appoint an Ambassador-at-large to give the necessary impetus to the President's intentions. Negotiations on the new regime with the allies, the Russian Federation, and other interested governments are being conducted at a senior level by the Under Secretary of State for International Security Affairs, Dr. Lynn Davis. Negotiations on the details of the transition to a new regime are the responsibility of other State Department officials and their colleagues from other agencies, under the direction of the Under Secretary and pursuant to decisions taken by senior officials. More generally, we are trying to avoid as much as possible the proliferation of special purpose offices that tend to lose their meaning over time but not their existence. Such offices also generally lack the impact, sustainability, and accountability of offices that have a continuing role in the established organizational structure.

In light of the Administration's professed concern for peacekeeping and reducing our peacekeeping arrearage, why didn't the Administration make an all out effort to secure funds for international peacekeeping activities on the recently-enacted earthquake supplemental?

Answer:

DOD requested an emergency supplemental because the funds required had a direct effect on DOD readiness issues. The State Department's requirement to pay mounting UN peacekeeping assessments was no less urgent, but the Administration was able, at the time, to identify offsets for its supplemental request. Unfortunately, when the "earthquake" supplemental was considered by the Congress, offsets which the Administration had identified were taken for other purposes and no supplemental funds were appropriated to State. Our urgent need for supplemental funds to deal with peacekeeping shortfalls has grown in size and urgency subsequent to the above mentioned Congressional action.

Does the Administration intend to expend the political capital required to move the pending \$608 million request? What actions does it seek from this committee?

Answer:

We believe that international peacekeeping is a valuable tool for advancing U.S. foreign policy interests. We have a direct interest in promoting international stability, and we need mechanisms to help promote this stability without always having to project U.S. military power.

The Administration has been and plans to continue to make every effort to obtain those funds. We ask for your support.

B. PEACEKEEPING

When does the Administration intend to release the overall peacekeeping policy paper, the so-called PDD-13? Are you concerned that the criteria for Chapter VII peace operations could embroil us in future Somalias? Are foreign civil wars, in which no political settlement has been reached, the right candidates for UN (action)? Shouldn't we tie our criteria for participation in these operations with our interests?

Answer:

We are finishing our consultations with Congress before presenting the PDD to the President for signature. We do not intend to release publicly the document itself, but we will provide an extensive summation of the review's findings.

The draft PDD sets out factors to be considered before the U.S. agrees to support a peacekeeping operation. The factors would help to frame the debate over whether a proposed peacekeeping operation is feasible and has the support of the international community. A decision on whether support for a peacekeeping operation is in the U.S. interest would be based on the cumulative weight of the factors, and certainly would not be determined through a mechanistic checklist.

Clearly, some situations are not ripe for any sort of international intervention. However, there are certainly cases where, even in the absence of a political settlement, the international community can act to support important interests,

including to advance the prospects for a settlement and to support humanitarian objectives. In Bosnia, for example, the UN has moved in partnership with NATO to prevent the strangulation of Sarajevo, to maintain a humanitarian lifeline, and to advance the prospects for a negotiated peace.

A major factor to be considered before U.S. forces participate in any peace operation is the U.S. national interest to be served by such participation. Moreover, any decision to participate will be made at the highest levels of the U.S. government. The President already has stated his intention to consult with Congress before any commitment of U.S. forces to Bosnia is made.

What policies are you undertaking to ensure that we pay no more than 25% of UN peacekeeping costs? What is the department doing to put in place an independent Inspector General to ferret out the waste, fraud and abuse at the UN? With the failure to renew the contract of Melissa Wells as the UN Under Secretary for Management is the Administration proposing American candidates for this key post with extensive managerial and administrative abilities?

Answer:

On reducing the U.S. assessment for UN peacekeeping, we have pressed our points with the UN working groups reviewing the peacekeeping scale of assessments, have met with influential member countries in various coalitions, members of the UN Secretariat staff, and the Secretary General himself. The Secretary General has dispatched emissaries to urge a number of states to increase their peacekeeping contributions. We plan to continue to press for a rate reduction in upcoming UN meetings and are determined to continue these efforts until our rate has been reduced to no more than 25 percent.

The Secretary General has created an Office of Inspections and Investigations (OII) as a first step towards creation of a higher level post with broader audit, evaluation and investigative authority. We are working to have the General Assembly pass a resolution that will institutionalize the OII, assure its independence of the Secretariat in carrying out its operations, assure its report is transmitted by the Secretary General to the General Assembly unchanged, and define the means of appointment and removal of the head of the office. We expect the General Assembly to pass such a resolution this spring.

We have provided names of well-qualified, American candidates to the Secretary General. We hope he will select an American for this position. All of our candidates have extensive managerial and administrative experience.

What is the Administration's policy in regard to the inclusion of Russian peacekeeping troops in the countries of the Former Soviet Union? Under what conditions would they be included in the peacekeeping operations of the U.N. or the CSCE? Is the Administration concerned that Russia will try to cloak its growing expansionist policies in the near future under the cloak of peacekeeping operations, particularly those flying a U.N. flag?

Answer:

The Russians have suggested that the UN Security Council endorse Russian peacekeeping operations in the former Soviet Union. For us to consider supporting Security Council endorsement of a specific Russian peacekeeping effort, such an effort would have to meet a number of conditions:

- The Russian role must be desired by all of the parties to the particular dispute.
- The role of Russian forces must be neutral and carried out under the principles of the U.N. Charter and/or CSCE, and subject to international oversight.
- It must be based on maintaining the independence, sovereignty, and territorial integrity of the New Independent States.
- A process aimed at achieving a political settlement of the dispute should be underway.

We would consider the advisability of Russian participation in UN or CSCE peacekeeping efforts in the FSU on a case-by-case basis.

Question:

What has been the estimated effect of sanctions imposed on China last August? Have any satellite launches been halted by sanctions, including the Optus B-3, Echostar or Asiasat 2? Have any potential launches been cancelled because of the sanctions? If not, will it do so in the near future? With the recent granting of several license applications for the export of satellites, including a satellite "system" to Hughes, has the administration in effect tried to circumvent its own sanctions regime?

--Pursuant to those sanctions, how many licenses for exports to China have been denied by the State Department? Please provide a list including a description of the license request, the proposed exporter, the export involved and the reasons denied.

Answer:

Since the imposition of missile proliferation sanctions against certain entities in the PRC on August 24, 1993, the Department has not issued any licenses for the transfer to sanctioned Chinese entities or government activities of any MTCR Annex items controlled under the U.S. Munitions List (USML). To date, the Department has not denied any cases on missile proliferation sanctions grounds alone. However, the Department has pending two cases which are in the initial review process, but which have been recommend for denial in light of the missile proliferation sanctions. In most cases, applications involving export to China of MTCR Annex items on the USML are not reviewed for possible denial under the missile proliferation sanctions because they must already be denied under section 902(a)(3) of the Foreign Relations Authorization Act for FY'90 and FY'91 (the Tiananmen Square export sanctions).

--More specifically, please provide a list (with the same information as requested above) of the licenses which have been both approved and denied by the State Department for exports related to "satellites or satellite systems". If there are requests pending, please provide a list of those requests as well.

Answer:

The Department has not approved any licenses for the export to the Peoples Republic of China (PRC) of "satellites or satellite systems" (nor for any other commodity on the U.S. Munitions List) since the imposition of missile proliferation sanctions against entities in the PRC on August 24, 1993. During that same period, the Department denied a total of eleven applications for USML items to the PRC, but none of them dealt with "satellites or satellite systems". A group of license applications for export of the Optus-B satellite to be launched in China to replace an AUSSAT-B satellite which exploded upon launch in December, 1992, were returned without action following the imposition of missile proliferation sanctions.

There are five licenses currently pending that involve exports to the PRC related to "satellites or satellite systems." One license would allow the applicant, on behalf of the International Telecommunications Satellite Corp. (INTELSAT), to provide a telemetry receiver covered under the USML to INTELSAT's Chinese signatory (i.e., Beijing Telecommunications Authority) for use in the Chinese ground station for sending signals to and receiving signals from the INTELSAT commercial telecommunications satellite network. The Department has determined that the missile proliferation sanctions do not apply to this application, because the Chinese consignee/end-user is not one of the Chinese entities subject to those sanctions. Tiananmen Square sanctions do apply, however, and the administration can approve these cases only if it decides that they are "in the U.S. national interest."

There are four other licenses relating to "satellites or satellite systems" currently under initial inter-agency review. One recently received application involves the export of repair spare parts to an INTELSAT ground station in China. Another case involves the export of a sample satellite-to-launch vehicle separation system for use in launching a commercial communications satellite. The third case involves the temporary export of a "test simulator" system to test performance of a ground station for an INMARSAT commercial telecommunications satellite. The fourth application involves a request from a U.S. satellite manufacturer to be allowed to use an ITAR exemption to return Chinese-origin technical data to China Great Wall Corp. The Chinese technical data was transferred during technical discussions about Chinese launch of Iridium satellites under a license approved prior to imposition of the missile proliferation sanctions. There are no other applications currently pending at the Department for export licenses of material related to "satellites or satellite systems" controlled under the USML.

**Question for the Record Submitted to Secretary of State Warren Christopher
by Congressman Schumer
Committee on Foreign Affairs
February 24, 1994**

While the Declaration of Principles laid out the framework for peace between Israel and the Palestinians, I believe that the United States should not be sending any aid to the Palestinians until certain conditions are met. I made that point clear last year when I opposed a waiver that would enable the PLO to receive U.S. aid. It was my demand then, and it still is today, that Chairman Arafat and the PLO publicly reject the Arab boycott against Israel. That has not happened.

Now I'm even more distressed, having learned that there is a provision in the Senate version of the State Department Authorization bill that would essentially grant a permanent waiver to the PLO. As you know, the provision would put the onus on Congress to reject a continuation of the current waiver. And it makes less likely an open Congressional debate on the merits of PLO aid. The current method, of asking Congress to continue the waiver, is appropriate and satisfactory, especially since it was Congress that mandated the ban on aid to the PLO.

It will be extremely difficult for Congress to deny a continuation of the waiver or even debate it. Of greater concern is the fact that the PLO charter still calls for the destruction of Israel, and that Arafat's leadership of the PLO is slipping and that there are factions of the PLO flatly opposed to peace with Israel. Please clarify for me why the Administration wants this change?

Answer:

We share your concern that Arafat has not publicly spoken out against the Arab boycott of Israel, and we continue to press him to do so.

The current legislation requires the President, prior to exercising his waiver authority, to certify to the Congress that the PLO is in compliance with the commitments

Arafat undertook in his September 9 letters to Prime Minister Rabin and Foreign Minister Holst and that it is in the U.S. national interest to exercise the authority. This legislation expires July 1, 1994. The provision contained in the State Department authorization legislation extends this authority beyond the July 1 cut off. The waiver is valid for six month periods. Subsequent to congressional consultations and prior to renewing the waiver, the President must certify that the PLO remains in compliance with the September 9 commitments. If at any time the PLO fails to do so, the waiver would be suspended.

The U.S. provides assistance to the Palestinian people in support of the Middle East peace process. This aid is humanitarian and developmental. The Middle East Peace Facilitation Act of 1993, as amended, allows the President, inter alia, to temporarily suspend the prohibition on U.S. assessed contributions to international organizations that indirectly benefit the PLO.

The provision in the Senate bill still contains the requirement for Presidential certification. Should the PLO lapse in the September 9 commitments, the waiver on certain activities can be suspended. The new provision merely obviates the need to pass new legislation each time the six month period expires.

**Question for the Record Submitted to Secretary of State Warren Christopher
by Congressman Brown
Committee on Foreign Affairs
February 24, 1994**

Question:

The Administration's foreign aid reform legislation would expand presidential power by allowing the Executive Branch to break or shave earmarks and to transfer funds between accounts. The bill also would give the Executive Branch great flexibility to curtail or resume aid to prohibited countries and to decide on what terms such decisions are made.

What is the Administration's view of the balance of powers as it relates to this narrow area? What assurance would there be that spending on foreign assistance would reflect the priorities that guided Congress in appropriating the money?

My fundamental concern here is that this legislation would set the course for such decision-making for the foreseeable future. Consequently, what check would there be on a President and an Administration that were not as progressive in their outlook on the world as is the present Administration? By approving this change in foreign assistance decision-making power, are we in the legislative branch not disrupting the system of checks and balances that in the past has proved useful in dissuading other Administrations from policies that encouraged instability in various regions of the world?

Answer:

By providing the President greater flexibility to match scarce foreign affairs resources and priorities, the proposed Peace, Prosperity, and Democracy Act would enhance U.S. ability to meet the difficult challenges of the post-Cold War environment. The proposed legislation would establish fewer and more focused foreign policy goals; restructure, consolidate, and reduce the number of foreign affairs accounts; and tie assistance to performance. Furthermore, it is based on a framework that seeks to bring more tangible benefits to Americans by enhancing U.S. economic security, promoting democratic and free-market reforms overseas, and reducing

dangers posed by environmental degradation, rapid population growth, and narcotics and terrorism. The Administration also believes that the new orientation would maximize efficient use of foreign affairs resources, thereby increasing Congressional and public support for such funding.

The Administration has consulted extensively with Congress on the new legislation and on the question of foreign policy priorities in general. Its goal has been to develop a common understanding that will strengthen the U.S. position in the conduct of foreign policy. The new legislation would improve the Government's ability to fulfill its foreign affairs responsibilities while preserving its system of checks and balances. Consistent with the U.S. Constitution, Congress would continue to wield the same influence and oversight in foreign affairs through authorizations and appropriations.

APPENDIX 5

TUESDAY, MARCH 15, 1994

Statement of
John H. Costello
President, The Citizens Network for Foreign Affairs
before the
Committee on Foreign Affairs
U.S. House of Representatives

March 15, 1994

INTRODUCTION

Thank you, Mr. Chairman. It is a privilege to be with you this morning to discuss the reform of U.S. Foreign Assistance activities. I not only appreciate the opportunity to be here personally, but I also appreciate the thoughtful and inclusive process the Committee has adopted to seek input from a wide range of interested individuals and organizations. The care with which you are proceeding reflects both on the complexity of the issues to be addressed and the importance of the outcome to America and the world.

Mr. Chairman, although there are many aspects of the bill worth discussing, I'm not going to attempt to cover all the ground there is to cover. Instead, I will focus my remarks on a few key points which I believe are critical to the vitality and effectiveness of America's foreign assistance program as we move toward the 21st Century.

Before proceeding, a few words of background. The Citizens Network for Foreign Affairs was founded in 1985 as a non-partisan, nonprofit organization aimed at building public support for, and participation in, America's increasing stake in its international relationships -- and particularly its relationships with the developing and emerging nations. We believed then, as we believe now, in several fundamental principles which are relevant to today's discussion:

- We believe that today, more than ever before, U.S. economic and environmental well-being, peace and security are *directly tied* to our capacity to promote broad-based, sustainable economic growth in the world's emerging economies; our ability to provide economic opportunities for American workers is increasingly linked to our ability to provide economic opportunities for nine-tenths of the world's population.
- We believe that the emerging economies and emerging democracies represent the markets with the most dynamic potential for growth for much of the U.S. economy, and that these are the markets for which America will increasingly have to compete.
- We believe that in a complex, competitive global economy, we need to define and implement foreign policies and foreign assistance policies which are much more responsive to America's international economic interests and which result in a more collaborative relationship between our government, the non-governmental sectors and especially the private enterprise sector in pursuit of these interests.

For the past nine years, The Citizens Network has conducted a wide range of efforts to engage leaders across America in recognition of the interdependency of our own interests with those of the developing world -- of the growing U.S. stake in the success of broad-based economic development beyond our borders. One part of our action program -- our National Policy Roundtable initiative -- has brought together more than 3,000 leaders from the business, nonprofit and government sectors in 18 states to address these issues. In the agriculture sector alone we have mobilized nearly 200 American businesses, associations, commodity organizations, banks and universities through The Citizens Network Agribusiness Alliance, an unprecedented effort to spark the creative involvement of key sectors of American society in support of sustainable international development.¹ Our experience has taught us some important lessons, a few of which I will touch upon in a moment.

A TIMELY AND IMPORTANT EFFORT

Mr. Chairman, I want to begin by applauding the Administration for putting forward the draft legislation which has now been introduced as H.R. 3765. This is a timely and important effort, undertaken with much care and much good thinking. The draft builds on the seminal work of Chairman Hamilton and Congressman Gilman in 1989, and moves further toward *real* foreign aid reform. (I note that one of the questions put forward in your invitation to appear here today was "Why is Foreign Assistance Reform Needed?" I believe that this question has been answered so often and so well by others that I need not repeat the reasons, except to say, in a gross oversimplification, that we *are* in a new era, that much of the aid program does not produce the results it should, and that most of the American people are not behind it.)

It is my deep hope that *this* effort at fundamental reform will yield real and practical results. I believe it can, and I call upon my colleagues in the private sector and the foreign assistance community to help make it happen. We are faced with a *limited window of opportunity* to get this important initiative enacted into law. I hope you and the other members of the leadership of this Committee and the House will be able to move toward a vote on a new authorization for a new era in foreign assistance before the summer recess and the serious onset of election-year politics.

I look forward to the results of the Committee's work as you discuss, refine and mark up the bill. While we all seek to make it better, I am concerned that our commitment to our own beliefs and ideals about what is "the right way" to structure foreign aid, and the quest for the "perfect" bill, could leave us passing nothing at all. This would be a real loss. We must not allow "the best" to become the enemy of "the good."

¹ A complete list of CNAA members is being submitted with this testimony for inclusion in the record of this hearing.

Like others who have appeared before this Committee, I believe that there are areas in which the bill can -- and must -- be strengthened if it is to form the basis for a *new* American foreign assistance program. I'll discuss my major concern in that regard in a few moments. I also believe the overall thrust and clarity of the bill can and should be more clearly focused, with (as other witnesses before this Committee have pointed out) an eye toward setting priorities and guiding the difficult choices which will need to be made in allocating scarce resources.

A FOCUS ON AMERICA'S STAKE

H.R. 3765 takes exactly the right approach in building foreign assistance around a recognition of *America's stake* in broadly based sustainable development. This is an important step, and an essential one if we are going to build a program which works, and which, in perception and in actuality, serves America's interests.

As Americans began to realize in the NAFTA debate, and as Richard Feinberg was quoted in The New York Times as saying just last week, "the United States exports \$80 billion in goods and services to Latin America each year, more than it exports to Japan. By the year 2000, U.S. exports to Latin America could well exceed U.S. sales to Western Europe -- and could add one million new jobs for U.S. workers." Our domestic economy and our jobs are tied to the world economy. Indeed, exports to the developing world helped keep our economy afloat during the last recession.

Americans must be able to see the relevance of foreign assistance to their own quality of life. They must begin to see the aid equation as one which includes not only costs and burdens, but also opportunities and economic rewards. In the past forty years, regardless of the importance or validity of the goal -- feeding hungry people, eradicating disease, containing communism, promoting development -- foreign aid was seen as a net outflow of value.

Now is the time to change the fundamental terms of engagement, so that the American people can see U.S. international engagement as having benefits, not merely costs. And I don't mean this only in the sense of a small-minded, "what's in it for me?" mentality. I am speaking neither of the old arguments about the direct benefits of aid to American workers, nor simply about making sure that aid money is actually spent (as much of it is today) here in the U.S. And I am emphatically *not* speaking about confusing foreign assistance programs with export promotion programs. I am speaking about promoting America's real and growing stake in "broadly-based sustainable development" based on an appreciation of the fundamental integration of our economy with the world's economy, of our well-being with that of the well-being of the rest of the world -- with a particular focus on the developing world and the emerging economies and democracies.

We *can* have a foreign assistance program which has the support of the American people if it is a program based on mutual benefit and mutual interests, on providing economic opportunity here and abroad, and on a recognition that in helping others to win, we win as well. The American people will understand and support *this* approach.

BROADLY-BASED SUSTAINABLE DEVELOPMENT

The two paragraphs in Section 1102(b)(1) of H.R. 3765², dealing with broadly-based economic growth, contain some of the most important ideas to appear in legislative form in many years. They are the *sine qua non* for the achievement of our own economic, security, diplomatic and humanitarian objectives. These must not become meaningless buzzwords. They must enable policymakers to provide direction, make difficult choices and allocate resources among competing priorities.

In short, broadly-based economic development must become the centerpiece and clear priority of the U.S. foreign assistance strategy, as well as the focus for building Americans' understanding of what foreign assistance is all about.

Broadly based, sustainable development means new frontiers, new partners, new customers, and, yes, even new competitors for American enterprise. As an overarching strategy for U.S. foreign assistance (and more broadly, U.S. foreign economic relations) it recognizes the multiple goals of our assistance programs, including the alleviation of poverty, environmental preservation and the promotion of democracy. Its focus on enlarging the economic pie (without ignoring the need to make sure that the pieces are well-distributed) is of paramount importance.

"SECTION 1102(b)(1)(A) Rationale. -- Broad-based economic growth signifies equitable and inclusive economic expansion in developing countries. Such growth is in the economic, political, and strategic interests of the United States because it permits countries to progress toward economic self-reliance, improve the living standards of their citizens, reduce the incidence of poverty, slow population growth, and increase opportunities for mutually beneficial international trade and investment. Economic progress also improves the prospects for the spread of democracy and political values supportive of United States interests. Economic stagnation or narrowly based-economic growth may fuel political instability and threaten international security and cooperation.

(B) Objective.-- Broadly-based, sustainable growth requires, in addition to sound economic policies: investments in people, particularly poor people, in the form of health, education, shelter and other critical social services; a broader role for and access to markets through improved policies, stronger institutions, and sound public investments; enhanced food security and sustainable improvements in agriculture; sound debt management, including responsible relief as appropriate; and measures to ensure that the poor have access to productive resources, including small and micro-enterprise credit, and fully participate in the benefits of growth in employment and income."

The debate on foreign aid is often seen as "either/or" or "win/lose." Either we focus on policy alleviation *or* we address economic growth. Either we "trickle down" *or* we "trickle up." Either we work to limit population growth *or* we fight infant mortality. Either we help people *or* we help the environment. These dichotomies are based more in ideology than in reality. The truth is, there is no dichotomy. Each goal is dependent on the other; each is part of a complex system. Population growth rates decrease when infant mortality drops; infant mortality and population growth drop when economic opportunities appear; economic opportunities appear when markets develop, along with the availability of education, technology, capital, and so on. It works that way here in America, and it also works that way around the world.

Economic growth and activity at all levels -- beginning with the microentrepreneur and working up to large scale industry -- provide the essential underpinning for truly sustainable development and the accomplishment of all of our objectives.

WHAT IS MISSING?

The draft legislation, and indeed the entire dialogue on the future of U.S. foreign assistance, has one major, glaring and potentially crippling weakness. It is a weakness which also characterizes the current foreign assistance program and which can be understood in a quick look at the participant list for any conference or meeting on foreign assistance.

Among the many players and interests involved in shaping and implementing the core of U.S. foreign assistance strategy, American enterprise is completely missing.

In the terms of the draft legislation, the "private sector" includes private voluntary organizations, cooperatives, credit unions, colleges and universities. The bill calls for the establishment of a partnership relationship with these sectors, in recognition of their traditional roles in the foreign assistance program and the very real contributions they have to make. It is also true that these communities represent a large part of the traditional constituency for overseas development assistance.

A newly revitalized effort to promote broadly-based, sustainable economic development must recognize and include the sector most responsible for economic growth both here at home and around the world.

American enterprise provides the unparalleled innovation, creativity, technology and capital investment that generates the jobs and opportunities for Americans. Are there ways we can harness these energies and resources to accomplish our development objectives? I suggest that the answer is a strong yes. Do we need to be careful that the developmental purposes of the aid program remain clear and uncompromised? Of course the answer is also yes, but the need for such care does not diminish the strength of the imperative to act.

Economic growth, enterprise development, education and training, the creation of a capital base, the transfer of technology, the development of vibrant markets and a real private sector-- these are key objectives of a strategy to promote broadly-based sustainable development. And the track record for their accomplishment -- the best track record in the world -- does not lie exclusively with government, with PVOs, or universities. Its core is in the "other" private sector.

President Clinton articulated this concept very well in a letter dated February 14, 1994 dealing with aid to Russia, in which he said:

"My visit to Moscow in January underscored for me a fundamental truth about our efforts to help Russia through its difficult transition to a market democracy: *it is private investment, not government assistance, which will provide the surest guarantee of the long-term prosperity of Russia and its people.* Government support can only prime the pump, making it possible for companies...to establish the partnerships and provide the training and management experience that are so vital to Russia's efforts to transform its economy."³ (emphasis added)

While OPIC and other programs have an investment and trade focus, the notion of a public-private sector partnership for development has never been a core part of U.S. development assistance strategy. The creative integration of this new element into the mainstream of the foreign assistance portfolio would represent the kind of real reform that the Administration, the Congress and the American people are asking for.

The development challenge is enormous -- far beyond the capacity of any one organization or sector to take on. Every possible resource must be tapped, and to leave out enterprise and business is to attempt to launch a rocket without fuel.

As I say this I can already hear my critics attacking the idea as a new set of handouts to business, and as a perversion of the purity of our development motives. There are also those who would see the entrance of new players as necessarily yielding a smaller piece of the resource pie for the existing participants. I don't expect to change their minds, but I must be clear that I am not talking about *giving* a handout. I am talking about *reaching* a hand out. I am talking about building new partnerships to make development really happen. Partnerships that leverage America's unparalleled capabilities in communications, energy, environment, agriculture, and health care.

³ Letter from President Clinton, dated February 14, 1994, regarding the importance of an agribusiness joint venture development project being conducted with USAID support under The Citizens Network's Food Systems Restructuring Program. A complete copy of the letter is being submitted with this testimony for inclusion in the record of this hearing.

A new, successful model for foreign assistance aimed at promoting successful, broadly-based economic growth should be grounded in a new kind of partnership. A partnership which sparks innovation, productivity *and* investment. A partnership which gets the job done and benefits all of the partners. A partnership which creatively brings together government, PVOs, cooperatives and universities, along with labor, business enterprise, associations and others.

Each of these players has something important to offer, and each should be part of the mix. In the United States we have seen the results of this synergistic relationship over and over again: California's Silicon Valley, North Carolina's Research Triangle, Chicago's inner city North Shore Bank, along with many other examples of American development in action.

This is new territory for the foreign aid community. Involving the enterprise sector does not mean simply using for-profit consulting firms to carry out U.S. Agency for International Development (AID) contracts. Fundamentally, it means leveraging real private investment and putting the profit motive to work in the interests of sustainable development. It means getting people on the job whose interests are in making things happen and in making things work.

AID and The Citizens Network, along with Tri-Valley Growers and Agricultural Cooperatives Development International, are now engaged in a groundbreaking experiment in private sector participation in development assistance. The Food Systems Restructuring Program (FSRP) for the Newly Independent States (NIS) of the Former Soviet Union, operated under a set of Cooperative Agreements, is a four-year program which builds development assistance on the foundation of existing private sector joint venture between U.S. agribusinesses and NIS partner enterprises.

The Citizens Network's approach is to work with small, medium and large American businesses which are making substantial long-term investments in food production, processing, distribution and marketing in the NIS, and to leverage those investments to provide world-class training, technical assistance and technology to support the emergence of vibrant, market driven food systems. Our current portfolio matches \$44 million of U.S. taxpayer funds with more than \$150 million in American private sector commitments, yielding more than \$200 million in inward technical assistance and investment.

This new approach has already had real impact in the form of jobs and opportunities for Russian and Ukrainian workers. In one project alone, more than 400 jobs will be created for Russians, and more than 100 new private sector agribusiness professionals are receiving practical, enterprise-linked training in key disciplines from vegetable production to food storage to wholesale and retail distribution operations. In another project, 180 private Russian farmers are generating substantial increases in income and productivity through improvements in breeding, processing, packaging and marketing of high-quality beef. At the same time, the projects do support American workers and enterprises in both the short and long terms.

To illustrate how this works, consider the case of one FSRP-supported project in southern Ukraine. Freedom Farm International, a small agribusiness based in Florence, Kentucky, is involved in a joint venture partnership with four private Ukrainian farms. With \$4.4 million of investment from Freedom Farm and \$3.9 million from their Ukrainian partners, the venture is developing high-tech grain handling and storage facilities. The Citizens Network and AID are adding \$1.7 million to the project to provide practical training, technical assistance and U.S. technology to the Ukrainians in upgrading the quality of their production and to establish contract farming agreements so soybeans grown by livestock farmers can be processed by Freedom Farm into high-protein soy feed. As a result, a major agribusiness facility is established, and local farmers are benefitting from technology never before available.

We are now one year into the implementation of this program, and are learning a great many important lessons about what works (and about what doesn't work). We hope that these lessons can be applied on a wider scale in the years to come.

My last point on this subject, Mr. Chairman, is to suggest that a failure to engage business, labor and other parts of the enterprise sector will cause us to miss a real and important opportunity to create new "stakeholders" for effective foreign assistance.

Mr. Chairman, before I conclude I want to voice my strong support for two distinct but related features of the draft legislation which are critically important to the viability and effectiveness of American foreign aid.

FOCUS ON WOMEN

The first is the positive focus on women "as agents as well as beneficiaries of change" (H.R. 3765, Section 1101). As anyone who has been involved in the practical work of development assistance can tell you, it is a key to the actual accomplishment of broad-based, sustainable development impact. Whether we are speaking about sub-Saharan Africa or about sub-Arctic Siberia, education and economic opportunity for women can do more to jumpstart development than virtually any other input. Language in support of women in development has existed in legislation since the Percy amendment was passed in 1973, but as a practical matter, integration of women into the mainstream of development assistance strategy, and the allocation of resources to make it happen, need to be dramatically enhanced. The challenge now will be to ensure that this critically important principle is translated from rhetoric into reality.

DEVELOPMENT EDUCATION

The second area I want to highlight is the bill's recognition of the need for and importance of programs "to assist in the education of United States citizens about developing countries, the development process, *and the importance to the United States of developing countries*" (H.R. 3765, Section 7113, emphasis added). U.S. economic and national interests, as well as the interests of the world's poor and hungry, will be served best if Americans are informed and engaged about the world and their place in it. I see development education as an important bridging mechanism to the reality of the global economy, to dispel the incorrect and damaging notion that there is today a real distinction between foreign policy and domestic policy.

CONCLUSION

Mr. Chairman, let me conclude where I began: by commending both your efforts and the efforts of the Clinton Administration in moving forward this critically important initiative. Broadly-based, sustainable development is the key -- both for the developing and emerging nations and for the United States itself. Economic growth at all levels is the engine that will drive the kind of change we all hope for. And American private enterprise -- long left out of the international development equation -- can join in a dynamic new partnership to help fuel that engine.

Once again, thank you for the opportunity to be here.



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American Seed Trade Association
American Sheep Industry Association
American Society of Agricultural Consultants International (ASACI)
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CARES-BAC
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- ConAgra International
- Diversified Products Companies
- Golden Valley Foods, Inc.
- Hunt-Wesson
- Lamb-Wesson, Inc.
- Monfort, Inc.
- Vogel Popcorn Company
Concord
- PRC, Inc.
Consolidated International
Continental Grain Company/Finagrain
Corporation for International Trade
Cotton Council International
Crispen Manufacturing Company, Inc.
Crop Genetics International
Dairy and Food Industries Supply Association
Danco & Company
Deyre U.S.A. Corporation
Don Elicks
Louis Dreyfus Corporation
Du Pont de Nemours and Company
Eastern United States Agricultural and Food Export Council
Inc.
Elastic Animal Health
Equipment Manufacturers Institute
Eazel Communications, Inc.
Bob Evans Farms
FMC Corporation
Farm Journal
Farmland Industries, Inc.
Fertin International
The Fertizer Institute
Finagrain S.A.
First Central State Bank
Fleming Companies, Inc.

Florida Citrus Mutual
FMC Corporation
Food Marketing Institute
Food Processing Machinery & Supplies Association
Foodways Farm International
Goldbeck Engineering, Inc.
Garber
Glenn/American-Russian Joint Venture
W.R. Grace & Co.
American Breaders Service
- Cryovac
Grain Systems, Inc.
Grand Island Trust Company
Greater Des Moines Chamber of Commerce Federation
Griffith and Brand of McAllen, Inc.
Grocery Manufacturers of America
GROWMARK, Inc.
Hanklyn Seed
H.J. Harst Company
Hormel Foods Corporation
Iberson International, Inc.
ICI Seeds
Independent Bakers Association
Island Products, Inc.
International Growers Alliance, Inc.
International Apple Institute
International Dairy Foods Association
- Milk Industry Foundation
- National Cheese Institute
- International Ice Cream Association
International Food & Beverage Corporation
International Foodservice Distributors Association
Iowa Farm Bureau Federation
Iowa State University Center for Agricultural & Rural Development (CARD)
Kansas Farm Bureau
Kansas State Board of Agriculture
Ray Planning Company
Kary Technology, Inc.
Kiev-Albano
Koch Supplies, Inc.
Krause Grains Corporation
Bob Lawrence & Associates
Eli Lilly and Company
Louis Dreyfus Corporation
Maytag C. Inc.
MATHUC
McDonald's Corporation
McLane Company, Inc.
Monasaco Company
Moorman Foods
Nash Finch Company
National Agricultural Chemical Assoc.
National American Wholesale Grocers Association
National Association of Wheat Growers Foundation
National Barley Growers Association
National Cattleman's Association
National Confectioners Association of the U.S.
National Corn Growers Association
National Cotton Council of America
National Food Processors Association
National Future Farmers of America Alumni Association
National Planting Association
National Pork Producers Council
National Renderers Association
National Vocational Agricultural Teachers Association
Nebraska Agricultural Leadership Council, Inc. (LEAD)
North American Agribusiness, Inc.
Norvex Bank
The Oceana Institute

Ohio State University-Center for Education and Training for Employment
PacifiCorp, Inc.
Packer Corporation, Inc.
Pennsylvania Farmers' Association
Pepper Foods Systems
Pillar Inc. Animal Health Group
Philip Morris Companies, Inc.
- Kraft General Foods International
- Oscar Mayer Foods
The Pillsbury Company
- Green Giant
Pioneer Hi-Bred International, Inc.
Plains Equity Exchange and Cooperative Union
Post, Buckley, Schuh, & Jernigan, Inc.
Pratt Industries, Inc.
Produce Marketing Association
Purdue University, Department of Agriculture
RAAN USA, Inc.
RJR Nabisco
Ralston Purina Company
- Promex Technologies International
The Rona Millers' Association
RW Mayo
Rivanna Foods, Inc.
Romaine Farm Community Project (CUGN)
Safe-Graze, Inc.
SCARAB Manufacturing and Leasing, Inc.
Seaman Grain Company
Scott Paper Company
Soo Land
Sharp & Son, Inc.
Sierra Cautions Corporation
Sollars Farms of Ohio
Southeastern Poultry & Egg Association
Southern Touch Foods
State Seed Company
Stonemetal Farming
Summit Livestock
SUPERVALU
Swan Life
Swissman Utah Association
T.P.C. Foods, Inc.
Texas Ceres and Vegetable Association
Texas Farm Bureau
Thermo King
Triple "F" Incorporated
U.S. Dairy Genetics Council
U.S. Feed Grains Council
U.S. Meat Export Federation
U.S.A. Poultry & Egg Export Council
United Fresh Fruit and Vegetable Association
United Soybean Board
University of Missouri-Columbia, College of Agriculture
The Upsilon Company
- Asgrow Seed Company
U.S.-Russia Business Council
V.G. Enterprises, Inc.
Valmow Industries
Wisconsin Farm Bureau
Watts, Sauer, Seymour and Pease
Washington Agriculture & Forestry Education Foundation
Western Slaughter Corporation
Western Ag-Resources, Inc.
Wimpen Brothers Ranch
World Agricultural Technology
World Perspectives, Inc.
World-Agri-International
York International
Daniel F. Young, Inc.

THE WHITE HOUSE

WASHINGTON

February 14, 1994

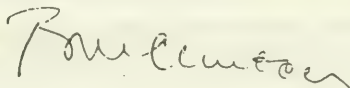
Dear Norm:

Thank you for your recent letter describing the ambitious GIANT Joint Venture that TPC Foods, Inc. has established to help Russia modernize and streamline its food production and marketing system.

My visit to Moscow in January underscored for me a fundamental truth about our efforts to help Russia through its difficult transition to a market democracy: it is private investment, not government assistance, which will provide the surest guarantee of the long-term prosperity for Russia and its people. Government support can only prime the pump, making it possible for companies like TPC Foods to establish the partnerships and provide the training and management experience that are so vital to Russia's efforts to transform its economy.

I join you in applauding the early accomplishments of this project and wish TPC Foods and their Russian partners continued success. Thank you for your support for our efforts to promote economic reform in Russia.

Sincerely,



The Honorable Norman D. Dicks
House of Representatives
Washington, D.C. 20515

THE CITIZENS NETWORK FOR FOREIGN AFFAIRS

FOOD SYSTEMS RESTRUCTURING PROGRAM PROJECTS IN RUSSIA

AMERICAN BREEDERS SERVICE/W.R. GRACE COMPANY NIS PARTNER - AN ORGANIZATION OF 20 BOBYNINSKI DISTRICT FARMERS

This project contributes to the restructuring of the meat sector of the Russian food system. American Breeders Service will provide comprehensive assistance in all aspects of breeding, processing, packaging, marketing, and distribution to develop entrepreneurial operations that are independent of the old government agricultural input/output system. Traditionally, Russian beef processing facilities were established as large meat processing facilities unrelated to or linked to animal grow-out facilities. This project aims to put into place a small high-quality meat processing facility at the local level on a private farm. It aims to strengthen local entrepreneurs in the Bobyninski District of the Kaluga Region through an integrated approach that will include beef breeding, processing, packaging, marketing, and distribution.

GOLDEN VALLEY FOODS

NIS PARTNER - KRASNOGORSK ASSOCIATION OF PRIVATE FARMERS, HOZYAIN OWNER GROUP OF PRIVATE FARMERS, PRIVOLNOE "OPEN SPACES" PRIVATIZED FARM, NEW ARBAT SUPERMARKET

The project focuses on two distinct geographic areas and food systems sectors: 1) a large commercial potato processing operation in Krasnodar, southern Russia, and 2) a commercial technical center specializing in certified seed for a small group of struggling private farmers in Krasnogorsk, north of Moscow. It brings an organization with world-class expertise in potato growing, storage, processing and marketing into the process of breaking state control of the food chain. The private farmers' group in Krasnogorsk is a regional example of small-scale agricultural entrepreneurship, and the Krasnodar activity has the potential of becoming a major source of potatoes for value-added products throughout Russia. The venture focuses on building profitable, functioning enterprises. The emphasis on training and outreach strengthens the impact of the project.

T.P.C. FOODS, INC.

NIS PARTNERS - PRIMORSKI KRAIRYBOLOVOTREBSOYUZ, DALRYBA

The partnership, named GIANT, is building two large food complexes in the Russian Far East that are the center of a program in which U.S. food experts train Russians in all components of the food industry. GIANT will be the model for comprehensive, integrated, market-driven, and privately-owned food systems in Russia and the NIS.

The project is leading efforts to change the food industry in Russia, operating the first modern food system designed specifically for the realities of Russia and targeted to Russian consumers. Modern U.S. technology will be applied and learned by Russian operators. GIANT also will provide high-quality food at reasonable costs to Russian consumers, leading to increased Russian confidence in the free market system. About 400 Russian jobs will be created by the project, and 100 private food distribution professionals will be trained by U.S. experts. The result will be a full-service, privately-owned food system operated by skilled Russian professionals trained in Western technology and the free market system.

THE CITIZENS NETWORK FOR FOREIGN AFFAIRS

FOOD SYSTEMS RESTRUCTURING PROGRAM PROJECTS IN UKRAINE

AVIAN FARMS ENTERPRISES, INC. NIS PARTNER - POLESSKY FARMS

The Avian Farms project is a poultry stock production operation that will help put high-quality, low-cost food on the tables of Ukrainian families by transferring U.S. poultry production technology and private business practices to Ukraine. Through its partnership with Polessky Farms, one of the largest and most modern poultry facilities in the NIS, Avian Farms is creating a local, privately-owned, self sustaining enterprise. The project includes business training in chicken production, as well as translation and distribution of technical serves manuals. This enterprise will be managed and staffed by Ukrainians and equipped with technical and productive expertise to restructure the poultry food production system.

CARGILL INC. - INTERNATIONAL SEED DIVISION NIS PARTNER - CENTRAL MAIZE INSTITUTE DNIPROPETROVSK

Cargill and Central Maize are building an efficient, functioning seed production and marketing system for Ukraine and Russia with new, high-quality, high-yield genetics. The project will lay a strong foundation for improved food production, grain marketing, storage and handling, and processing. Cargill's International Seed Division is fostering private, market-driven production and marketing and distribution networks independent of state control.

FREEDOM FARM INTERNATIONAL, INC. NIS PARTNER - FOUR PRIVATE FARMS IN KHERSON OBLAST

The project is a pioneering effort to transfer the know-how and technical expertise of entrepreneurial U.S. farmers to their Ukrainian counterparts, focusing on quality inputs, post-harvest storage and handling, and marketing. Ukrainian farmers are trained in farm management as well as state-of-the-art production of corn and soybeans. The project will result in improved Ukrainian ability in the areas of post-harvest handling and storage, value added processing of grain, livestock feed technology, and grain marketing. Through the creation of highly visible, working "pockets of efficiency" on newly privatized farms, this project will provide strong reinforcement and support for newly independent farm families.

MONSANTO COMPANY NIS PARTNER - AGRO-INVEST ASSOCIATION, BESHEVSKI STATE FARM

The project addresses one of the major causes of quality deficiency in the Ukrainian food chain: the state-run input supply/output purchasing system. It will establish a crop marketing and processing system and a farm demonstration and training center. The project will supply key agricultural inputs, services, and training to Ukrainian farmers, providing a private channel for the sale of crops. It also will catalyze the development of a functioning financial and banking system. The project will create a multi-faceted alternative to the state monopoly that will be extremely beneficial to the long-term success and viability of private NIS food systems.

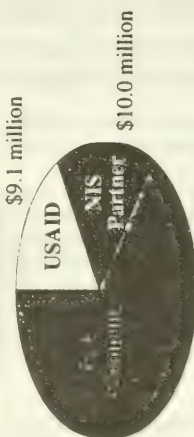
CNAA PROJECTS IN THE FORMER SOVIET UNION Project Fund Breakdown

RUSSIA



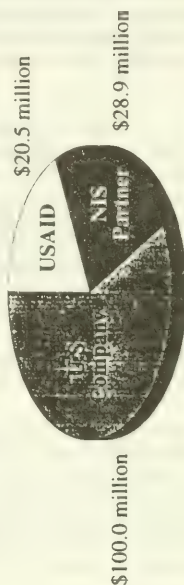
TOTAL PROJECT FUNDING: \$96.4 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 13.4%

UKRAINE



TOTAL PROJECT FUNDING: \$53.0 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 20.7%

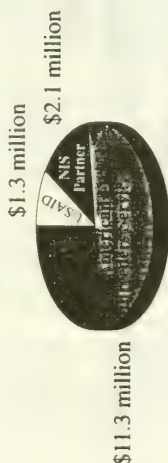
TOTAL NIS PROJECTS



TOTAL PROJECT FUNDING: \$149.4 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 15.9%

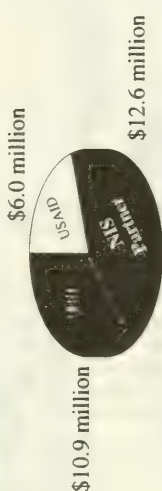
CNAА PROJECTS IN RUSSIA

American Breeders Service (W.R. Grace)



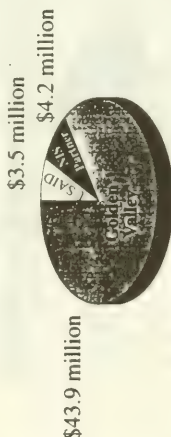
TOTAL PROJECT FUNDING: \$14.7 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 10%

TPC Foods



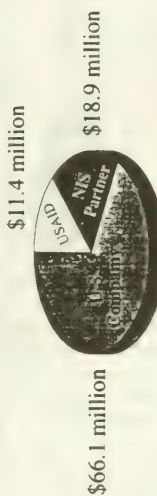
TOTAL PROJECT FUNDING: \$29.5 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 25.5%

Golden Valley (ConAgra)



TOTAL PROJECT FUNDING: \$51.6 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 7.2%

TOTAL RUSSIA PROJECTS



TOTAL PROJECT FUNDING: \$96.4 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 13.4%

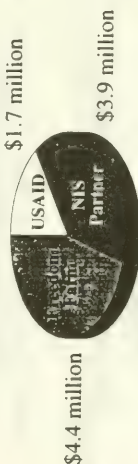
CNA PROJECTS IN UKRAINE

Avian Enterprises



TOTAL PROJECT FUNDING: \$14.7 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 25.3%

Freedom Farm International



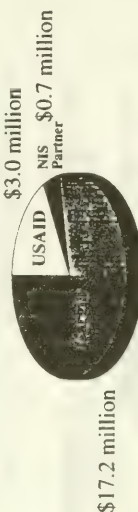
TOTAL PROJECT FUNDING: \$10.0 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 21.1%

Monsanto



TOTAL PROJECT FUNDING: \$7.4 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 23.3%

Cargill Seeds



TOTAL PROJECT FUNDING: \$20.9 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 17.0%

TOTAL UKRAINE PROJECTS



TOTAL PROJECT FUNDING: \$53.0 Million
USAID FUNDING % OF PRIVATE PROJECT FUNDING: 20.7%

**STATEMENT OF PHILLIP FISHMAN
ASSISTANT DIRECTOR, INTERNATIONAL AFFAIRS DEPARTMENT
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
BEFORE THE COMMITTEE ON FOREIGN AFFAIRS**

on

FOREIGN ASSISTANCE

March 15, 1994

Mr. Chairman and members of the committee, on behalf of the AFL-CIO, I thank you for the opportunity to share our views on U.S. foreign assistance.

First, the American labor movement would like to restate its support for the Clinton Administration's emphasis on democratization as a fundamental goal of American foreign policy. We believe that democracy-promotion is both a moral cause, and a path toward a more peaceful and prosperous American future. Nations which are democratic and respect human rights are generally less prone to start wars or challenge U.S. security interests. And nations in which citizens are free to participate in political and economic decision-making are more apt to have stable middle-classes and be fruitful U.S. trading partners.

The AFL-CIO's deep conviction that worker rights must become an integral part of U.S. foreign, trade, aid and investment policies was demonstrated by our role in the NAFTA debate. With regard to NAFTA, our concerns include U.S. worker's job loss and the exploitation of foreign workers. It is a conviction grounded in the same principles that have always guided the AFL-CIO -- a belief that workers, everywhere, have a right to life, liberty and a fair share in the fruits of their labors. This is why, after World War I, AFL President Samuel Gompers conceived of, and helped to establish, the International Labor Organization; why, after World War II, the American labor movement provided critical support for the launching of the Marshall Plan; and why, throughout the Cold War, American workers always supported a strong national defense and an active U.S. aid and trade program.

With the end of the East-West divide, we do not advocate a pull-back from foreign entanglements, but rather that the nation move forward in its efforts to promote peace, prosperity and democracy around the world. For us, these goals are inseparable, one from another, as is their pursuit from our struggle to defend and extend American liberties and living standards.

Across the globe, the labor of millions of men, women and children is still obtained by means of force, intimidation or sheer desperation. Many live or die, solely at their employers' discretion. These workers are neither players nor beneficiaries in the emerging global economy. They are its pawns.

The political result is clear. Workers who are denied basic labor rights have little hope of controlling their own governments. Those who are prevented from speaking, meeting and associating freely, cannot band together to form unions to protect themselves from the overwhelming power of the State or its economic and political elites. In this regard, recent

history is illustrative. It was no accident that democratic trade unions played an active role in keeping Western Europe free after World War II, that Solidarnosc was key to the Soviet collapse, or that from South Africa, to Chile, to the Philippines -- wherever democracy is taking hold -- free trade unions have been there. They are a pillar of democracy, giving ordinary working men and women a voice in their own political destiny.

In the economic arena, the stakes are equally high. Today, capital flows freely across international borders. Technology is almost completely mobile. Exchanges between branches of multinational corporations account for almost half of all world trade, and several international corporate empires now have incomes at their disposal that are greater than the total gross domestic product of many medium sized nations. It has become a simple thing for companies to shop the world for the least expensive, most exploitable and best trained workers. The employment and investment requirements of one nation are easily played-off against the economic desperation of another, where workers' rights and families' needs can be repressed by force, if necessary.

For most Americans, the economic consequences are a matter of plain common sense: If workers don't earn enough to buy the goods that they make, you will end up with too many workers with too little money, chasing too many goods and services. Today, developed and developing nations alike are trying to cope with the results -- chronic unemployment, social and political destabilization, increasing income inequality, and stagnating real wages and living standards -- the very circumstances, in fact, which preceded and caused the Great Depression.

Until worker rights criteria become an integral part of multilateral trade and assistance arrangements -- and until the operations of multinational corporations become more transparent and accountable to the citizens of the nations in which they operate -- these structural problems in the global economy will persist.

Therefore, as we examine U.S. aid, trade and assistance proposals, our questions are these: While we work to promote economic growth, how can we ensure that we are not imposing new hardships on poor and working people in both developed and less developed nations? How can we ensure that workers prosper, along with the wealthy? And how can we ensure that any burden is shared equally by all citizens, and is not just imposed upon workers?

In this regard, we are generally pleased by the Clinton Administration's proposals for foreign assistance. The current law, first adopted in 1961, was designed to respond to the needs and priorities of a world that no longer exists. We agree with Secretary Christopher that a new framework is needed.

As previously stated, we are especially gratified by the Administration's emphasis on democracy-promotion and broad-based economic growth as fundamental goals of U.S. policy. We believe that the new framework would improve America's ability to respond, swiftly and flexibly, to a changing world situation. We are also in full support of new efforts to improve U.S. economic competitiveness through export promotion and the development of new markets for U.S.-made products.

There are, however, several ways in which the Administration's proposal should be improved:

First, we have been troubled by recent, deep cut-backs in assistance to Asia and Latin America. While we understand the need to set new priorities, and to shift resources accordingly, we urge that the needs of these regions and of Africa not be forgotten.

Second, we would like to see even greater flexibility in foreign assistance programs. For instance, in order to enhance democracy-promotion efforts, Agency for International Development funding should be allowed for non-governmental, democracy-building initiatives in nations which are not eligible for AID government-to-government programs, due to economic graduation or hostility to the United States. The per capita GNP figures, which govern graduation, tell us nothing about the distribution of income and may hide the reality of a deeply impoverished citizenry. These people, and their democratic civil institutions, should not be prohibited from receiving our assistance. In the case of governments which are hostile to U.S. values or which sponsor terrorism, it can be argued that any pro-democracy civil institutions that are able to survive under these regimes need our aid and support more than any others. Consideration should also be given to changing the current practice that allows some non-democratic governments to approve or disapprove AID funding for democracy-building initiatives that involve direct NGO-to-NGO assistance.

And third, we believe that workers' rights and families' needs should become a more explicit part of our efforts to promote peace, prosperity and democracy. The unfolding crisis in Russia is a dramatic illustration of this point. In large measure, the current political instability and social upheaval were brought about by the failure of economic restructuring programs to take real people into account. This is not to say that we advocate a slow-down in such programs or a pull-back of Western aid. In fact, much more must be done, and done quickly, in order to prevent a the current window of opportunity from closing for another generation.

Contrast our current response to the needs of Russia and the other nations of the former Soviet Union with our efforts in Western Europe under the Marshall Plan. Then, we pledged an enormous proportion of the nation's war-drained resources to rescue a region's shattered societies. Now, we pledge a modest amount, and have yet to deliver more than a minuscule percentage of this sum. Then, we developed and coordinated a broad program -- with an equal emphasis given to the forging of a strong civil society, including free unions, a free media and other independent, democratic institutions; the establishment of democratic government, including administrative, parliamentary and judicial systems on a national and local level; and the reconstruction of the economy, including the building of a public infrastructure, as well as a thriving private sector. Now, our technocrats offer platitudes about the benefits of the free market, and in the same breath complain that those who suffered over 70 years of totalitarian rule are unwilling to suffer enough so that they might join the modern industrial era. Is it any wonder that reactionism has begun to take hold?

Clearly, throughout the former Soviet bloc, there needs to be a major withdrawal of the State from ownership and from economic micro-management. But it is equally important that the extent of this withdrawal not be determined by dogmatists -- as was the overwhelming extension of State power -- but by democratic debate and decision. Western institutions should see to it that this critical transition period includes the best possible coordination -- with equal standing -- between social and economic policies. Social initiatives that serve as little more than afterthoughts to the ravages of market economics will not avoid the protracted chaos that the world now fears.

The AFL-CIO stands ready to work with the Administration and the Congress in pursuit of these policies.

Selected Examples of Democracy-Building Activities by the AFL-CIO's Regional Institutes

THE FORMER SOVIET BLOC

Poland

Of all of American labor's assistance and democracy-promotion programs, its aid to Poland's Solidarnosc trade union federation is probably the most widely recognized. The labor movement which helped hasten the demise of the Soviet empire was formed in the summer of 1980. But the roots of Solidarnosc extended back at least a decade to 1970, when spontaneous strikes were suppressed by the military and at least 300 workers were killed. It was after these events that contact was established between U.S. unions and Polish worker dissidents. In 1980, when an estimated 4 million Polish workers took to the streets and won official government recognition for Solidarnosc, their leaders turned to the AFL-CIO for assistance. They asked for equipment, supplies and moral support. It was given, and Solidarnosc prospered for a euphoric 18 months.

At 6:00 a.m. on December 13, 1981, the Polish regime responded by declaring martial law, banning Solidarnosc, and arresting trade union leaders and activists. In the first week of martial law, over 10,000 people were imprisoned and within the next year, an estimated 100,000 were taken into custody. The AFL-CIO's commitment to help was unshaken. Rank-and-file American workers contributed almost \$300,000 to the Polish Solidarnosc Fund. By mid-1982, hundreds of Solidarnosc groups were functioning, underground. Funds were used to support those in hiding, and to smuggle in typewriters, mobile printing presses and other equipment. With Solidarnosc representatives outside of Poland, an elaborate underground network of assistance and communications was established, operating out of Western Europe. In Poland, dozens of clandestine newspapers and bulletins began to appear, posing a challenge to official media and sustaining the hope of millions of Polish workers.

Beginning in 1984, with the authorization and funding by the U.S. Congress of the National Endowment for Democracy, the AFL-CIO's Free Trade Union Institute (FTUI) began its support of the Coordinating Office of Solidarnosc in Brussels, the union's link to Western supporters. Throughout the decade, FTUI helped to fund shipments of scores of printing presses, dozens of computers, hundreds of mimeograph machines, thousands of gallons of printers' ink, hundreds of thousands of stencils, video cameras and radio broadcasting equipment.

In 1989, partial democracy was restored and Solidarnosc began to function in the open. With the changed circumstances, Solidarnosc's needs and requests for aid also changed. FTUI began to provide nut-and-bolts technical assistance, such as: printing pamphlets containing rules of order on how to run a democratic meeting, information on various models for structures of democratic organizations, leadership training for local leaders, information on collective bargaining and contract negotiating strategies, rudimentary training in Western economic theory, etc. Such support continues.

Bulgaria

In February 1989, Bulgarian human and worker rights activists launched the Confederation of Labor, Podkrepa. The organization grew rapidly, and in the period leading up to the October 1991 elections, Podkrepa, had become the strongest and most unified organization in the democratic opposition. The federation became a magnet for workers disillusioned with communist rule, and attracted and held a pool of talented people unmatched in the democratic opposition.

As a result, Podkrepa played an indispensable role in the fight to defeat totalitarianism in Bulgaria. Its president created, and was instrumental in promoting, the organizational structure that brought victory within reach of the democratic opposition. Podkrepa's national organizational strength was the critical factor in achieving that victory. Its leadership and structure, especially at the national level, were deeply involved in every aspect of the democrats' struggle for power.

With communist-successor regimes still in power, from May 1990 and through most of 1991, FTUI's assistance program in Bulgaria was geared primarily toward infrastructure support. Minivans, computers, newsprint, copiers, faxes, walkie-talkies, mobile sound systems -- these things gave the Confederation's talented organizers the tools they needed to have a maximum impact on the political process. They also strengthened Podkrepa's organizational clout and helped it to manage rapid membership growth. At Podkrepa's request, FTUI also conducted education programs in that period that were mostly designed to demonstrate to the long-isolated Bulgarians that American unions supported their effort to bring democratic government to their country.

In 1992, FTUI's programs began to focus on institution-building. A field office in Sofia has now been established, allowing for targeted, swift and flexible responses to assistance requests. Technical assistance and training programs have been designed to meet the needs of a new, more complex period of economic reform and democratic consolidation.

The Former Soviet Union

For the past three years, FTUI has given moral and material support to the coal miners who have formed democratic trade unions in Russia, Ukraine and Kazakhstan. It is precisely these coal mining trade unions who at the most critical moments have rallied to the cause of democracy and reform. Boris Yeltsin has credited them with turning the tide against the reactionary forces who tried to prevent his election to the Russian Presidency. During the attempted coup of August 1991, the miners unions were the first to respond to Yeltsin's call for a general strike and to plan active resistance to the coup plotters.

FTUI, through its educational programs and infrastructure support to democratic unions, is giving workers in the former Soviet Union the skills and tools to address their grievances in constructive ways. Groups assisted by FTUI, such as the Independent Miners Union of Russia, the Independent Trade Union Center of Kazakhstan, or the Lithuanian Workers Union, are finding ways to influence the content of labor-related legislation, to protect the interests of workers during the painful privatization process, and to negotiate better wages and working conditions for their members without derailing the reform process.

AFRICA

Since its inception in 1964, the AFL-CIO's African-American Labor Center (AALC) has played a unique role in nurturing the principles of free trade unionism and democracy in Africa. For many of the intervening years, AALC programs were focused on assisting beleaguered African unions, struggling to survive years of repression under authoritarian regimes. In recent years, as demands for political liberalization swept across the continent, the AALC has intensified its efforts to support and strengthen the trade unions in their struggle for democratic change. AALC's programs in South Africa and Kenya are cases in point.

South Africa

Political change in South Africa over the past two years has been characterized by a continuous series of successes and setbacks. The optimistic launching of the Convention for a Democratic South Africa (CODESA) was shattered in May 1992, when the government adopted a recalcitrant negotiating posture which dissipated the momentum of this effort to seek change. The breakdown of CODESA was immediately followed by the massacres at Boipatong and Bisho, which were much publicized in the international press. The remainder of 1992 was spent attempting to recapture the momentum through conciliation, dialogue, and coalition building.

What is obvious is the eventuality of a national election in the near future. While the exact date of the election has yet to be determined, South Africa certainly has less than a year to develop the electoral structure. More important, and demanding, is the necessary time to educate the voting population on the structure, process, and issues. The AALC's program of action in South Africa is assisting the labor movement there in preparations for the elections.

The Trade Union Civic Education Project, initiated by AALC in 1991, provides South African federations and their affiliates with the knowledge, skills and resources to establish political education departments within their individual unions. These departments develop an awareness of the political process at the grass roots level, and lay the foundation for civic participation through timely and frequent publications and programs. The focus is on the democratic process in general, and on the rapidly changing political developments in South Africa. The program reaches not only union members, but also their families, and the communities in which they live. The AALC sponsored a trade union political-education expert, borrowed from the American Federation of Teachers, who lived in South Africa from November 1991 to June 1992 to carry out this program.

In the fall of 1992, three South African trade unionists were among the 15 African labor leaders who took part in an AALC leadership training seminar on labor unity and political pluralism held in the U.S. Labor solidarity, which helped the trade unions of Africa to survive the harsh repression of the apartheid years, and more recently brought them to the fore of popular democratic movements, is now being challenged by a multiplicity of new political parties vying for the allegiance of workers. This and other topics related to the complex role of independent trade unions in democratic society were discussed and analyzed.

Ten South African trade union leaders also participated in a U.S. election study tour in November, 1992. The purpose of the program was to examine and analyze the role of the AFL-CIO in the presidential election. The delegates spent the first week in Washington, D.C., studying American labor's national strategy, and then went on to selected American cities to observe first-hand the various mechanisms used by the local unions to encourage worker participation in the elections. The final phase of the tour involved analysis of the strengths and weaknesses of labor's efforts, and discussions and planning on applicability to their home country election process.

In March 1993, a three person delegation from the AFL-CIO's Committee on Political Education (COPE) spent two weeks in South Africa meeting with trade union leaders as well as other organizations involved in the political emancipation of South Africa. The purpose of the trip was to assess trade union preparations for the upcoming elections and to determine ways in which AALC could offer technical assistance. As a result of that trip, and on the basis of the delegation's findings, the AALC has developed a political education program. American trade unionists, experienced in labor participation in the democratic process, will share their expertise with South African counterparts. Emphasis will be on voter education, voter registration, and voter participation. In addition, the program is designed to help prepare trade union activists for post-election political involvement, preparing the South African trade unionists to monitor the activities of elected officials and work to ensure that they remain accountable to their worker constituents. The program also aims to improve the unions' ability to implement political education programs, as it educates union members and their communities about the political process and issues.

Kenya

The early 1960's witnessed Kenya's movement toward independence from Britain, and the emergence of two major parties, the Kenya Africa National Union (KANU) and the Kenya African Democratic Union (KADU). These two parties vied in the first national elections in 1963 with KANU emerging victorious. In the 1969 elections, only KANU candidates were allowed to contend for positions, and in 1982 the constitution was amended to make the ruling KANU the only legal political party in the country.

In 1991, the Forum for the Restoration of Democracy (FORD) was established as a pressure group to lobby for the return of multiparty democracy. The state's efforts to repress FORD's initiative were met by international support for the democratic movement and internal demands for multiparty democracy. Threats by foreign donors to withhold needed assistance in late 1991, forced the government of President Moi to repeal Section 2A of the constitution which mandated a single party state. FORD became the first registered opposition party.

In December, 1992, Kenya held its first multiparty elections since 1963. The AFL-CIO, through its African-American Labor Center, was actively involved in trade union preparations.

In early 1992, the AALC provided technical assistance and advice to the Kenyan trade union federation, the Central Organization of Trade Unions (COTU), in the development of a newspaper *COTU Speaks*, and production of a special May Day edition. Such newsletters have long been recognized as a valuable means of communication between the unions and

their members. They facilitate the spread of information and ideas through a well-established network. The May Day edition of *COTU Speaks*, published in both English and Swahili, established COTU's non-partisan position, and went on to demand wage increases for workers caught between high inflation and wage restrictions.

In September, three COTU leaders participated in the AALC seminar on labor unity and political pluralism at the George Meany Center for Labor Studies. In November, at the request of the deputy secretary general of COTU, a participant in the September seminar, AALC's director of education and research traveled to Kenya to help organize a similar seminar there. The purpose of the seminar was to strengthen labor solidarity in Kenya, prepare a political policy for the new multiparty era, and to establish a policy agenda for dealing with the impact of structural adjustment on workers. The general secretaries of 19 of COTU's 29 affiliates came together to discuss political policy issues.

That October, a representative of COTU joined 17 other African trade unionists in a U.S. election study tour to observe the role of the AFL-CIO in the presidential elections.

When the Kenyan elections were held on December 29, 1992, an AFL-CIO observer team was on the ground, at the request of COTU. The objective of the mission was to undertake a representative canvas of the country, primarily in areas with high concentration of union membership, and report on the fairness of the elections based on international standards and trade union perspectives. The team visited 85 polling places in 38 districts with a total of 770,969 registered voters. They observed 48 poll openings, and visited 18 counting stations. The team was impressed by the lack of violence on election day. Kenyans waited in line, sometimes up to six hours, in order to cast their votes. The team characterized the elections as free, but not necessarily fair, with a great deal of reservation. If nothing else, these elections were, categorically, a step toward democracy. President Daniel arap Moi won with only 34% of the national vote, with the opposition candidates dividing the majority. Moi's party, the Kenyan African National Union (KANU), won 100 of the 188 contested seats in parliament, with the divided opposition winning 88 seats.

In South Africa and Kenya, as well as in numerous other countries across the continent of Africa, the AALC has promoted democracy through a comprehensive program of education, observation of the role of the American labor movement in the political process in the United States, exchange of experiences with union leaders of other African countries, and development of union-based political and civic education programs.

ASIA AND THE PACIFIC**Thailand**

The events of 1992 in Thailand were a vivid testimony to the impact of the Asian American Free Labor Institute's (AAFLI) assistance programs. Since 1987, AAFLI has been running democracy programs in Thailand ranging from voter registration to democracy education. During that six-year time span, almost 2,000 trade union officials were trained through democracy education seminars in the fundamentals of democratic theory and practice as well as the role of trade unions in a pluralistic society. A key component of the program is the intensive training of "democracy educators" who in turn, train rank-and-file workers.

As is usually the case with programs of this nature, it was not until the pro-democracy protests erupted in May 1992 against the Thai military junta that the true effectiveness of AAFLI's effort was clearly evident. Many of the individuals AAFLI trained as democracy educators took leading roles in the demonstrations. Labor union leader and AAFLI trainee Somsak Kosaisuk was a founding member of the Confederation for Democracy, the coalition that served as the driving force behind the protests. Other democracy educators took high profile positions beside Somsak at the demonstrations, and trade union leaders ignored threats from the then Director General of the Department of Labor and encouraged their members to join the pro-democracy rallies. Despite the junta's banning of state enterprise unions, these workers played a pivotal role in the protests, braved military attacks on unarmed protesters, and were instrumental in the return of civilian rule.

The Philippines

AAFLI has played a key role in assisting unions to fight for democracy in the Philippines. For example, its support for free trade unions, and the pivotal role of those unions in boosting the "people power" revolution in 1986 that brought about the first free elections in years, demonstrated how a relatively modest amount of assistance to democratic institutions can have a far-reaching effect. Through its assistance to the Trade Union Congress of the Philippines (TUCP), the Institute provided the opportunity for the TUCP to participate in the National Citizens Movement for Free Elections (NAMFREL), the crucial organization that ensured that the election of 1986 was freely and fairly conducted. During the run-up to the election, the Institute helped TUCP train poll watchers, educated workers on key issues in the campaign and promoted voter turn-out.

Another persistent problem that the Philippines faced, even after the departure of former President Marcos, was human and worker rights violations. In a comprehensive approach to the issue, AAFLI helped facilitate a number of activities, including a series of regional human rights conferences sponsored by the TUCP and the Commission on Human Rights. This process culminated in a National Conference on Trade Union and Human Rights held in Manila, at which Corazon Aquino was the keynote speaker. Over 115 representatives from various trade union organizations, government, judiciary, military and academia participated. These education sessions were followed by series of radio dramas that focused on worker and human rights violations, and the ways that citizens could seek redress. Commenting on the radio dramas, AID in the Philippines wrote that:

(a) the GOP's (Government of the Philippines) Commission on Human Rights credits the radio dramas as a leading factor in the decline of alleged abuses of military personnel against civilians; and (b) the Commission cites a sixty percent increase in the reporting of human rights violations since the radio programs were launched in October, 1990. We also applaud the Commission's plans to translate and broadcast the radio dramas in other regional languages, such as Bicolano and Ilocano. This in itself is an excellent verification of project benefits being sustained post-project.

Nepal

Just as real political democracy came to Nepal in 1990, so too came the birth of the Nepal Trade Union Congress (NTUC) in February 1991, which marked the birth of that country's independent democratic trade union movement.

There are not many two-year-old labor confederations that can say they have been able to significantly influence the drafting of their country's new Trade Union Act, while at the same time internalizing the spirit of democracy by implementing a highly participatory drafting and consultative effort to formulate a new union center constitution. With AAFI's assistance, the NTUC accomplished both. In doing so, the NTUC has played a key role in bringing greater hands-on knowledge of democratic processes to the approximately 120,000 Nepalese workers who are NTUC members and indirectly, to the people of Nepal as a whole.

Recognizing the labor legislation and worker rights vacuum that needed to be filled, AAFI sent a labor law expert to Kathmandu to work with the NTUC in drafting a trade union act. Meeting with key union leaders and several of the country's ministers, the labor law expert solicited their opinions on the labor code. With this input, he assisted the NTUC in drafting a revised law and presenting it to the government. This draft formed the basis of the trade union act passed by the Parliament in 1992.

The heart of the AAFI-assisted Democratic Structuring Project was its commitment to involve as many workers as possible in the process of developing an NTUC constitution. The goal was to help the NTUC create a democratic structure that ensures members' sovereignty through the election of officers who are accountable to the rank and file. Additionally, the NTUC sought AAFI's assistance in developing parliamentary procedures that lead to democratic decision-making at all levels of the confederation. According to our information, the NTUC is currently the only private, democratic institution in the country to have adopted democratic procedures. Competing communist inspired-unions have now begun to try to play catch-up.

Writing in April 1993 about the AAFI program in Nepal, U.S. Ambassador Julia Chang Bloch, who earlier served as a key official in the Agency for International Development, wrote: "As we discussed when you were here, this Mission is greatly pleased with the start AAFI has made in working with the Nepal Trade Union Congress. There is no question that this has been and will continue to be, an important contribution to building democracy in Nepal."

Indonesia

In recent years, the issue of exploited workers and their lack of freedom in Indonesia has been an increasing concern of the Indonesian media, beginning with AAFLI's assistance to Indonesian unionists trying to expose widespread violations of the minimum wage law in 1989. The U.S. Embassy in Indonesia has estimated that as a result of this program, over one million Indonesian workers who were not being paid the minimum wage are now receiving it.

Following up on the techniques of the minimum wage survey, one current AAFLI program is to assist the All Indonesia Workers' Union (SPSI) in putting 220 local union surveyors at factory gates and in workers' neighborhoods. Information collected on Indonesian workers unfairly dismissed for trade union activity is being distributed to dozens of Indonesian and foreign human and worker rights organizations, journalists, academicians and development specialists. Survey activities with so many people in the field talking with so many workers, raises workers' awareness and puts pressure on officials whose nominal task it is to protect workers. The effect thus far has been to:

- highlight the importance of the rule of law;
- empower workers through education, as well as the formation of their own unions; and
- encourage workers to use the legal system to redress their grievances.

LATIN AMERICA AND THE CARIBBEAN

Chile

The American Institute for Free Labor Development's (AIFLD) program in Chile during the Pinochet dictatorship gives some insight into the role that a private international institution can play in promoting democracy in a dictatorship.

In the weeks and months following the 1973 coup d'etat of General Pinochet, the AIFLD office literally served as a refuge for trade unionists seeking a place to meet or fleeing persecution by the Chilean Secret Police (DINA). Sometimes the simple association with AIFLD with its connection to the AFL-CIO and the international trade union network was enough to protect Chilean trade unionists from arrest or worse. Often, the family or union colleagues of a worker recently arrested would phone the AIFLD director so that a protest could rapidly be submitted before he or she "disappeared".

In 1974, just 5 months after the coup, the first of various courses containing large contingents of Chilean worker leaders was sponsored in Front Royal, Virginia. This course, contained two participants, Manuel Bustos and Oscar Munoz, who would later go on to be leaders of the democratic opposition. They were to be detained, arrested and in the case of Bustos, exiled. Today Munoz is the Chilean Labor Attache in Washington and Bustos is the president of the CUT/Chile.

Within Chile, a group of federations meeting in the AIFLD offices in Santiago formed what was to be the first national trade union organization to oppose the regime. It was simply called the "Group of Ten". In the following years, AIFLD sponsored trade union courses in all parts of Chile. These courses enabled trade union leaders from Santiago to maintain contact with smaller embattled organizations in the provinces. Some of these men were detained by police. Some were arrested. Some disappeared. The AIFLD director at that time was harassed by the military police. Various seminars were broken up by the authorities.

At the same time, to focus international attention on the situation in Chile, AIFLD in coordination with the AFL-CIO organized various high level trade union missions to Chile that were able to visit workers, extend solidarity and condemn the dictatorship. US portworkers repeatedly threatened to boycott Chilean ships.

Throughout the seventies and eighties the trade union opposition evolved. New organizations were formed. The international labor community became involved with various solidarity programs. The "Group of Ten" became the Democratic Workers' Union (UDT) and its president, Tucapel Jimenez, was assassinated in February, 1982. In December of that year Manuel Bustos, then the leader of the National Trade Union coordinator, was exiled. The AIFLD and AFL-CIO were in the forefront of those organizations pressuring the government to allow his return. The campaign was eventually successful and he was allowed to return in 1985.

(Separately, in 1985, the AFL-CIO petitioned for the withdrawal of Chile's GSP trade privileges, citing the country's record of gross violations of internationally-recognized labor rights standards. In Dec. 1987 the US Government announced that Chile would be removed

from the list of countries receiving GSP privileges. In these latter years a series of high level AFL-CIO and ICFTU missions were organized to protest the jailing and internal exile of trade unionists. During one such mission, the President of the United Bricklayers Union, the Executive Director of the AIFLD and his deputy were tear gassed and beaten by police who broke up a union demonstration in front of the Supreme Court.)

The new constitution authored by General Pinochet called for a national 1989 to determine whether his government was to continue for four more years. AIFLD, using NED resources, actively assisted the trade unions in their "NO" campaign. The 1989 plebescite was attended by an observer team from the AFL-CIO which had been coordinated by the AIFLD.

A second team was also coordinated in 1990 when the Pinochet Dictatorship, after 17 years, was voted out of office.

The Region

The AIFLD role in Chile was and is being duplicated in other countries where political and economic democracy and human rights have been abrogated. For the past seven tumultuous year years, AIFLD has maintained a presence in Haiti and support of democratic Haitian trade unions continued uninterrupted, despite the military crack-down. The successful transitions to democracy in Argentina, Ecuador and El Salvador were, to some extent, the result of trade union pressure, maintained at great price. AIFLD had active programs in those countries during the most difficult and dangerous days, including a land-reform program in El Salvador where, in 1981, two brave and dedicated AIFLD employees were assassinated by right-wing death squads.

During the bleakest moments of the Perez Jimenez government in Venezuela, it was the American labor movement that extended solidarity to the Venezuelan trade union federation, CTV, which was under assault. Resources were sent, leaders were given refuge, and international pressure was marshalled. Today, a strengthened CTV cooperates with the AFL-CIO in its efforts to support the democratic labor movements of Haiti, Nicaragua and Cuba. Hopefully, the growing democratic labor movements throughout the region will continue to work together to help extend the sphere where workers can live with human rights, human dignity and the rule of law.

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Human Rights and Foreign Aid Reform
 Testimony of Holly Burkhalter, Human Rights Watch
 before the House Foreign Affairs Committee
 Tuesday, March 15, 1994

Thank you for holding this important series of hearings, Chairman Hamilton, and for inviting me to testify. My name is Holly Burkhalter, and I am the Washington Director of Human Rights Watch.

I have a number of precise suggestions about ways to reform current human rights law. But before offering them, I would like to discuss the value of human rights conditions on foreign aid and arms sales, and the role that congressional involvement in the aid process has played in advancing the cause of human rights over the past two decades. I will also describe ways that current human rights law is inadequate, before turning to remedies. My remedies refer exclusively to conditionality on security assistance (including ESF) and arms sales.

The Need for Congressional Involvement: I am aware that the proposed foreign aid reform effort is aimed in the direction of reducing Congressional restrictions on the executive branch in many areas. I would be very sorry to see any lessening of Congressional attention in the areas of foreign aid and human rights, however, because that involvement has been extremely important to the human rights cause in the past. The scrutiny by the staff and Members of this Committee and others in Congress of the human rights records of proposed foreign aid recipients and your insistence that human rights improvements be achieved has in some cases provided essential leverage that has encouraged human rights reforms by proposed recipients.

A few examples follow:

The Case of Peru: In 1990, the Congress conditioned military and police assistance contained in the International Narcotics Control Act (INCA) for three Andean countries on certain specific human rights achievements, and required the executive branch to issue a public report on the proposed recipients' compliance with the standard. The Bush Administration's August 1991 report on the Fujimori Government's record was so inaccurate and misleading that a group of ten Senators -- ranging from Senator Jesse Helms to Senator Chris Dodd -- placed a hold on the large package of military aid that was proposed for Peru, and demanded that the human rights determination be withdrawn. Members of this Committee and the Appropriations Committees of both Houses sent a similar message

to the Bush Administration. Over the next six months, the State Department was forced to increase the pressure on the Peruvian authorities to take steps to satisfy the concerns raised by Congress. By the end of 1991, Congress agreed to release a portion of the assistance, but held back some \$25 million earmarked for the Peruvian army -- key perpetrators of abuse.

Thanks to Congress's willingness to use the leverage of foreign assistance, the Peruvian authorities were persuaded to take the first steps toward instituting a series of reforms, including broader access to detainees by the International Committee of the Red Cross, and more latitude for prosecutors investigating human rights cases. While the Fujimori Government today continues to engage in egregious abuses and has far to go on human rights before military assistance should be resumed, it is important to note that without Congress retaining the leverage provided by foreign aid through its inclusion of human rights conditions in the INCA and, just as importantly, its conscientious monitoring of Peruvian compliance, the executive branch would have provided an enormous amount of military assistance to a grossly abusive army with no strings attached.

The Case of Kenya: The Congress was moved to enact specific human rights conditions on aid to Kenya when the executive branch offered some \$5 million in military aid to the Moi regime at the height of a human rights crisis in 1990.¹ To prevent further offers of military aid to the regime, Congress enacted human rights conditions on military aid to Kenya in its fiscal year 1991 foreign aid appropriations bill. This provision prohibited the executive branch from releasing some \$15 million in security assistance unless it could certify that the Moi government had taken steps to charge and try or release all prisoners, ceased abuse of prisoners, and restored the independence of the judiciary and freedom of the press.

The State Department did not like the restrictions on its aid program to Kenya that Congress enacted, but, to give the Bush Administration credit, it did appear to use Congressional pressure to upgrade its own advocacy on Kenya. As a result of heightened attention on Kenyan rights by both Congress and the State Department and the Administration's encouragement of other

¹In June and July of 1990, the Moi Government responded brutally to increasing demands by Kenyans for multi-party democracy by firing indiscriminately on peaceful demonstrators, killing 100, and imprisoning hundreds more. On July 5, 1990, only days after the Kenyan government swept multiparty campaigners and human rights lawyers into jail, the State Department signed an agreement that would have allowed the Kenyan government to receive \$5 million in military aid. Congress blocked it immediately.

donors to condition aid to President Moi, the Government of Kenya undertook a number of important human rights reforms in the course of the following year. Almost all political prisoners were released from jail, pressures on the press were lightened, and opposition political parties were, for the first time in twenty years, permitted to organize legally.

It is fair to suggest that if Congress had not placed human rights conditions on foreign aid and President Moi had been provided with abundant foreign aid at the height of his abuses, we would not have seen these important changes in Kenya in 1991 and 1992. Again, Kenya's human rights problems are far from over, and Congress's conditioning of foreign aid to Kenya in no way guaranteed results, but the linkage did provide added leverage in U.S. dealings with the Kenyan authorities -- and that leverage was helpful indeed to the country's nascent democracy movement.

The Case of Indonesia: A more recent demonstration of the importance of Congressional involvement in human rights and foreign aid is the case of Indonesia. In 1991, over the Bush Administration's strong objections, Congress prohibited IMET training to Indonesia as a gesture of concern about the 1990 massacre of unarmed Timorese by the Indonesian army. And during last year's consideration of the foreign aid authorization, Senator Feingold offered an amendment to limit sales of military equipment and arms to the Indonesian army on the same grounds. That amendment was adopted by the Senate Foreign Relations Committee, though the authorization was not enacted into law, as you know.

In the course of its scrutiny of Indonesia's human rights record and the role of U.S. weapons during consideration of the Feingold amendment, the Congress obtained records indicating that millions of dollars worth of commercial and government-to-government arms sales to the Indonesian Government had been licensed by the executive branch in the past several years, including M-16 assault rifles, spare parts for attack planes and counterinsurgency aircraft, riot control chemicals, ammunition, and numerous shipments of pistols, revolvers, and machine guns. Moreover, human rights groups in Indonesia reported that the Indonesian army used American-supplied M-16's in the Timor massacre of 1990 as well as during more recent abuses, such as the murder of three peaceful demonstrators in September 1993.

The interest of key Senators, as well members of the House, in the issue of arms transfers to Indonesia persuaded the Clinton Administration, which had staunchly resisted limits on sales of weapons last year, to revise its opinion. We are informed that the executive branch has decided in principle to limit sales of weapons to the Indonesian armed forces until such time as human rights improve. In this case, it was not necessary for Congress

to enact country-specific legislation: the Clinton Administration, to its credit, appears ready to take this important action on its own.²

These three examples illustrate the importance of Congress's role in keeping a close watch on the human rights records of proposed foreign aid recipients (or arms purchasers) and in keeping a close watch on the State Department. The executive branch never likes Congressional involvement in foreign affairs, as I well remember from my days of working for then-Congressman (now Senator) Tom Harkin during the Carter Administration. Keeping Congress involved in human rights and foreign aid is not about partisanship -- it is about promotion of human rights during Democratic and Republican presidencies, and on both sides of the aisle in Congress.

In its proposed foreign aid reform bill, the Clinton Administration has proposed stripping away key provisions which provide Congressional involvement in the aid process -- in two words, the bill reads: "Trust us." I note, for example, that the Clinton Administration has requested a virtual repeal of Section 660, legislation prohibiting aid and training to foreign police forces that was enacted in 1975-76. When I worked for this Committee in 1981-1983, I can recall the Reagan Administration making frequent appeals to the Congress to repeal Section 660 so that it could provide assistance to foreign police forces. Congress did not grant the Reagan Administration the authority it wanted to get back into the business of aiding and training foreign police forces, and it should not do so for the Clinton Administration either. (A fuller discussion of police aid follows below.)

It is essential that human rights limits on both military and police aid be retained. But retaining generic human rights law alone is not enough. Current all-purpose human rights laws have not worked particularly well to restrain the executive branch from providing aid to grossly abusive regimes in the past. One need look no further than the continent of Africa during the 1980's to see how Section 502B of the Foreign Assistance Act failed as a legal mechanism to limit foreign aid to abusive regimes: the top five recipients of U.S. aid to sub-Saharan Africa during the Reagan years were Somalia under Siad Barre, Liberia under Samuel Doe, Kenya under Daniel Arap Moi, Zaire under Mobutu, and Sudan under Col. Jaafar Nimeiri. The sorry

²It is worth noting that it should not require special legislation to limit the sale of arms to governments engaged in gross abuses of human rights. Military sales -- including commercial sales -- are already covered by Section 502B of the Foreign Assistance Act, though generic human rights law has almost never been successful in limiting sales.

state of human rights in those countries then and now, and the role that extensive U.S. assistance played in propping up unpopular regimes long past their time suggest that better mechanisms are needed in the Foreign Assistance Act to limit such programs in the future.

Alternatives to Present Human Rights Law: In reviewing Congress's successes and failure in limiting foreign aid to grossly abusive governments, several facts stand out. First, there is no substitute for the Congress simply prohibiting aid to regimes that do not meet minimum human rights standards. In the case of Zaire, for example, this Committee simply said "no" to requests for aid to the Mobutu regime in 1990. The end of the Cold War means that there are very few cases of the executive branch seeking to pour funds into a pariah regime. No amount of tinkering with generic human rights language diminishes the fact that Congress has the power of the purse -- if the State Department or Defense Department persist in demanding foreign aid for undeserving regimes, the Congress must be ready to use its annual authorization and appropriations process to prevent it.

But the real difficulties for us in the human rights movement are those cases where Congress, for whatever reason, does not summon the political will to deny the executive branch its request for aid to individual countries. All of us know that the Congress is unlikely to end foreign aid to such countries as Egypt, Israel, and Turkey, notwithstanding each government's serious and regular abuses of human rights. Nor is it likely that the Congress will end anti-narcotics or anti-terrorism assistance to police and/or military forces known to engage in gross abuses.

Accordingly, we need legal mechanisms that accomplish several objectives in those troubling cases where aid (and --- importantly -- military sales) are provided to governments that regularly violate human rights. We need a regular review of the country's human rights progress, we need transparency on the aid and sales provided, and most important, we need regular consultation with the Congress. A positive certification process can provide this mechanism.

Positive Certification on Proposed Foreign Aid Recipients: The problem with existing generic human rights law is that there exists a disincentive for the executive branch to identify human rights violators. The State Department has never publicly identified a proposed foreign aid recipient as a violator, under the terms of Section 502B, and they are not required to. A much more useful mechanism would be the requirement that the Administration certify that governments are actually meeting a positive human rights standard before aid goes forward.

We propose that the reform bill require the executive branch

to issue a positive finding at the beginning of the foreign aid process that proposed recipients of security assistance (including ESF) and military sales are meeting a minimal standard of human rights performance.³ That minimal standard should include the following:

- 1) the government does not engage in a consistent pattern of gross violations of international recognized human rights;
- 2) the government vigorously investigates, disciplines, and prosecutes those responsible for gross violations of internationally recognized human rights;
- 3) the government supports the rule of law, equality before the law, and protection of individual and minority rights; and
- 4) the government does not impede the free functioning of domestic and international human rights organizations.

How would this positive certification process enhance attention to human rights?

Congress has had many experiences with specific human rights conditionality on foreign aid to various governments. In some cases, the requirement that the Administration issue a special report has provided an important opportunity for leverage, as noted above in the case of Peru. Other experiences with reporting requirements have left a bitter taste in our mouths -- notably the years of false reports on El Salvador's human rights progress during the early 1980's, when the army, police, and death squads murdered thousands of innocent people. Notwithstanding our distress over false reporting, however, congressional scrutiny of the Reagan Administration's claims played an important role in highlighting human rights abuses. In light of Congress's failure to end military aid altogether, it was better than nothing.

Some in the human rights community worry that using the positive certification will result in an incentive for the Administration to portray human rights more optimistically than is warranted. If this should occur, it provides an important opportunity to engage in a debate over the state of abuses, which heightens attention to the problem and can be helpful in encouraging a more vigorous response. Alternatively, if the State Department wants to provide security assistance or sales to governments that do not meet the minimal standard in law, they may waive the provision on the grounds of national security. But in such cases there must be particularly close congressional oversight of the assistance program. We would recommend that

³In my view, development assistance does not need to be conditioned in this way, so long as in cases of very abusive governments that aid is channeled through nongovernmental organizations.

when the waiver is used, the executive branch must provide fifteen-day advance notification of all proposed installments of military aid, all proposed foreign military sales, and all proposed licenses for the commercial sale of weapons and ammunition without regard to dollar value.

Human Rights Limits on Military Sales: The role that foreign-supplied weapons play in human rights disasters around the world is incalculable. A division of my own organization, Human Rights Watch's Arms Project, recently released a study of sales of weapons to the Habyarimana regime in Rwanda. Recurring ethnic conflict there -- in large part fomented by the government itself -- has claimed the lives of thousands of Rwandan civilians over the past several years. Yet sales (particularly French, Egyptian, and South African) of artillery, mortars, assault rifles, grenades, and landmines to the government (and Ugandan support for the RPF rebels) continued briskly throughout the carnage and weapons are everywhere in the impoverished country. (A grenade, for example, can be bought in Kigali for the price of a beer.) The impact of such weaponry in a conflict such as this one, where civilians are armed and encouraged to kill their neighbors, has been truly horrific. Without the foreign supply of weapons, Rwanda would still have suffered conflict -- but that conflict would have been carried out with spears and machetes, not automatic weapons.

Transparency in Arms Transfers: It is essential that the Congress shed some daylight on the millions of dollars of commercial and government-to-government sales that are approved by our government every year. It would be particularly valuable if the foreign aid reform bill included a requirement that the executive branch provide at least an annual report of all military equipment licensed in the previous year, including quantity and dollar value for every specific item. This information was routinely provided this Committee prior to 1981 under Section 657 of the Foreign Assistance Act. At the Reagan Administration's request, that provision was repealed, and those reports are no longer available. Yet, as the case of Indonesia demonstrates, scrutiny of licensed sales of military items to foreign police and military forces can itself be an important source of leverage on both the foreign government and our own executive branch.

Moreover, we are concerned that current reporting requirements in which Congress must be provided advance notification of sales of \$14 million or greater, do not permit scrutiny of smaller transfers which may well be of the greatest concern in human rights terms. Congress should consider removing or lowering the dollar threshold. At the very least this Committee should investigate the consequences of this increase in advance reporting.

Finally, given the increasing importance of the transfer of

excess defense articles and defense stock drawdowns, we urge the Committee to ensure that there is adequate oversight of these programs, and that strict human rights conditionality applies.

Limits on Police Aid: As you know, Congress ended some twenty years of assistance to foreign police forces under the Office of Public Safety in 1975/76, because egregious abuses by some of the beneficiaries had become an embarrassment to the United States. (It is worth noting that some of the most infamous torturers in the world were trained by the U.S. under the OPS, including Idi Amin's police force, and the Guatemalan, Uruguayan, Salvadoran and Brazilian police during times of military dictatorship.)

I am distressed to see what amounts to a virtual repeal of Section 660 in the Administration's proposed foreign aid reform. Past American involvement in training abusive forces did not improve their performance, it only soiled the United States's reputation. Consider, for example, the U.S. experience providing "professionalization" to the Salvadoran police under the auspices of the Administration of Justice program in the 1980's. Section 660 was waived, and millions of dollars was spent on a "Special Investigative Unit" of the police, created, ostensibly, to investigate human rights abuses. We are unaware of the unit's having properly investigated a single abuse by the authorities.

Police aid programs during the Reagan and Bush years were not aimed at making torturers and murderers more efficient, nor, presumably, was the Office of Public Safety. Yet without strict human rights conditions on such programs, that is exactly what happened.

Consider the case of American assistance to the Turkish police. As near as I can tell, without any oversight at all by the Congress, the executive branch has provided assistance to the Turkish police since the mid-1980's under the auspices of the Anti-terrorism Assistance Act. That aid has gone to some of the most abusive police in the world, which my organization has found to be responsible for routinely committing the most savage acts of torture imaginable. Turkish human rights groups, Amnesty International, and the State Department's own country reports have reported on a shocking number of deaths in detention at the hands of the Turkish police.

My colleague at Human Rights Watch/Helsinki, Lois Whitman, was shocked to see framed certificates of U.S. training programs on the walls of Gayretepe police headquarters building in Istanbul where political suspects are interrogated, and torture is known to occur. And Jeri Laber, the director of Human Rights Watch/Helsinki interviewed the chief of police in Ankara, who boasted of receiving a U.S.-supplied lie detector machine. Just hours after her interview, Ms. Laber interviewed a victim who

described being tortured while undergoing interrogation with a lie detector. When the machine would register stress, the police would shout that the prisoner was lying, and apply electric shock to him. Then the questioning would continue.

Apparently, the United States has been providing aid to the Turkish police since 1985. We would certainly be interested in knowing what improvements the executive branch has seen from its close involvement with the Turkish police over the past ten years. Our reports show that extreme torture is as pervasive as ever, and recent figures for deaths in detention are even higher than previous years. (According to our figures, there were 21 deaths in detention in 1993.)

As these anecdotes suggest, technical assistance -- even technical assistance as benign as a lie detector machine -- is not a neutral or even helpful contribution to police forces which have a policy and practice of torturing and abusing, and where they do so with impunity.

Limits on aid to police forces need to be even stronger than those on legitimate military aid. There are some circumstances where sales and aid to foreign forces engaged in the legitimate defense of the country's security are quite appropriate. But police training and aid invariably involves the U.S. in a government's most direct dealings with its own people. Accordingly, we strongly recommend that police aid, including anti-narcotics assistance and anti-terrorism assistance, should be conditioned on the following human rights standard. And the executive branch must be required to issue a positive certification that proposed beneficiaries are actually meeting this standard before one dollar of assistance, training, or sales to police forces goes forward:

- 1) The police must be under civilian control.
- 2) There must be a government policy prohibiting torture and ill treatment, including rape and sexual abuse of persons in detention, and indiscriminate use of deadly force against unarmed persons.
- 3) There must be independent investigation and adjudication of police abuses.
- 4) Local and international human rights and humanitarian groups must have access to persons in detention and convicted prisoners.

In addition to providing information that indicates that proposed beneficiaries are meeting these conditions, the executive branch must vet all proposed participants to exclude human rights abusers.

Although I am dubious about the value of human rights training to abusive police forces, I would permit a waiver of the

above standard for programs exclusively in the area of human rights, so long as Congress is provided with a full report of such programs, including the curriculum and a progress report on the police forces receiving assistance under such a program. Moreover, no weapons, equipment, or other material or assistance may be provided to police forces that do not meet the standard I propose above.

Finally, I think it is vitally important that there be extremely careful oversight by the Congress and the executive branch of any police aid programs that go forward pursuant to the reform bill. At the beginning of each fiscal year, the agency that is responsible for the police aid (be it the State Department or Justice Department) should identify what human rights problems it wishes to address in its program, and what indicators of progress it is looking for from beneficiary governments. At year's end, there should be a careful review by the State Department Human Rights Bureau of the progress made by participating police forces in achieving certain actual human rights goals, such as prosecuting individuals within the police force for abuses, ending incommunicado detention, permitting access by international humanitarian groups, releasing political prisoners, or prohibiting the admission in court of testimony taken under torture. If these practical steps have not been taken by the recipient country after training and assistance by the United States, the program should be abandoned.

Assistance for Prisons: I note that the proposed foreign aid reform act would permit assistance to prisons and penal institutions. I can see some occasions where the United States could help improve ghastly conditions. But it is important to keep in mind that common criminals are routinely tortured in most countries in the world, and prison conditions themselves amount to a form of torture in many places. Accordingly, it is important that U.S. assistance be channeled so that our government is not implicated in the abuse or neglect of prisoners that takes place within the walls of prisons and jails.

The issue of appalling conditions in prisons is one that desperately needs international attention as it is a major cause of human rights abuse. On January 3, for example, a massacre during which at least one hundred inmates died grew out of conditions at the notoriously violent, anarchic, overcrowded, filthy, and substandard living conditions within the prison. The Government of Venezuela possesses the knowledge and the resources to address its prison problem -- what has been tragically lacking thus far is the determination to use them.

Given the crushing needs within prison systems in most of the developing world, demands for U.S. funds could quickly become overwhelming. Accordingly, the Administration should be encouraged to channel its funds through the United Nations's

STATEMENT**of****LUCINDA A. LOW****VICE CHAIR****ABA Section of International Law****on behalf of the****AMERICAN BAR ASSOCIATION**

Thank you, Mr. Chairman, and Members of the Committee, for providing the American Bar Association with the opportunity to testify on H.R. 3765, the "Peace, Prosperity, and Democracy Act of 1994." My comments today will be limited to those issues on which the ABA has adopted official policy, and thus will not reach all of the substantive areas addressed in the proposed legislation. That fact notwithstanding, the ABA has a special interest in the proposed bill, which, as drafted, would serve as the focal point for America's post-Cold War approach to foreign assistance. Indeed, when compared with the views of the ABA on this subject, several key provisions of the Peace, Prosperity, and Democracy Act closely parallel the policy position adopted by our organization.

To provide you with some context for my remarks, let me mention that the Association has been engaged for some time now in considering what U.S. foreign assistance should aspire to achieve in the post-Cold War era. The ABA embarked on this venture last spring, when it became aware that the new Administration intended to review the structure and operation of U.S. foreign aid programs. In March 1993, the Association's Section of International Law and Practice established a bipartisan working group for the purpose of analyzing the new Administration's intended reforms, and providing input to the Administration on the direction and content of those reforms.

That Working Group's membership included former general counsels of AID, OPIC, and the IADB, as well as individuals with experience at other government agencies, multilateral development institutions, and in the private sector.

The Working Group produced a report on the reform of U.S. foreign assistance programs in August 1993. That report has been shared with this Committee and other members of Congress, members of the Administration, and others in the private sector with an interest in these issues. Just last month, the Association adopted the Working Group's recommendations as organization policy.

As a result of that action, the ABA supports fundamental reform of the U.S. foreign assistance program. In our view, a structured program should have three central components, delivered through a combination of bilateral and multilateral agencies:

- the promotion of democratization, human rights, and the rule of law;

- the promotion of the establishment of the legal infrastructure necessary for economic development and international commerce; and

- the promotion of sustainable development that is environmentally sound.

We were pleased to note that these concepts are reflected, at least in broad outline, in the proposed legislation. As I will discuss in more detail later in my remarks, however, the Association believes there are some issues -- such as the importance to sustainable development of a sound legal infrastructure and the rule of law -- that deserve even greater attention than they have received in the bill as currently drafted.

First, however, I would like to address the questions raised by the Chairman in his letter of March 11.

Why Is Foreign Assistance in the U.S. National Interest?

Foreign assistance is one means by which the United States expresses and seeks to extend its core political and economic values in the international arena. We care as a country about nurturing democracy wherever it may spring up. We care as a country about promoting the rule of law, rather than the rule of individuals. We care as a country about how people in other countries are treated; that they are accorded basic human rights and dignity. A properly-structured foreign assistance program can -- and in our view should -- address these issues.

Foreign assistance may also promote our own, more parochial, interests. For instance, democratic systems that follow the rule of law may be better places for our companies to do business -- because they may be less corrupt, for

example. Countries that have the proper legal infrastructure will also provide more hospitable environments for doing business across borders. More economically-developed countries have a greater ability, and often a greater tendency, to buy our products.

With respect to the environment, because we live in a global commons, we also have a direct stake in preventing environmental degradation in other countries.

There may also be security interests that can be furthered through a foreign-assistance program. However, that is an issue on which our group has not focussed specifically, so I will not comment on it here.

As the foregoing makes clear, we believe foreign assistance should not take place in a vacuum. The rationale for a foreign assistance program depends on a thoughtful identification and articulation of national goals and interests. As the Committee knows well, the American people will not tolerate vast amounts of money being spent on foreign aid for ill-defined goals. On the other hand, where goals are well-articulated and specific, we believe public support will be forthcoming.

These goals and interests should be defined as universally, and on as much of a long-term basis, as possible. In our view, even though foreign assistance is inextricably tied to foreign policy, the U.S. foreign assistance program should not be held hostage to the vagaries of politics.

Why Is Foreign Assistance Reform Needed?

In the post-World War II period, the Cold War perspective dominated our foreign policy thinking, and our foreign assistance program as well. The end of the Cold War must lead to a reevaluation and revamping of U.S. foreign assistance programs, just as it has led to a rethinking of U.S. foreign policy more generally. The ABA believes that the time is right now for such fundamental reform.

What Practical Difference Will Reform Make?

Foreign assistance reform can and should result in significant revamping of our bilateral assistance program, as well as a reallocation of resources between our bilateral aid program and multilateral aid-givers. Let me address the latter first.

1. Bilateral Versus Multilateral Aid

In the past, the vast majority of U.S. foreign aid has been delivered through bilateral aid mechanisms. While there will always (in our view) be a significant place for a bilateral aid program, a rethinking of our foreign assistance program may result in striking a different balance between bilateral and multilateral aid than has been struck in the past.

Multilaterally-delivered aid can offer a greater diversity of models, greater freedom from political constraints, and a more consistent and long-term effort. Of particular importance in an era of scarcer dollars, it also allows donor countries to leverage their contributions.

Although the rationale for increased multilateral aid may be present, a greater reliance on the multilateral approach will by no means obviate the need for a bilateral aid program. Because specific U.S. political, economic, or security interests in providing foreign aid may be diluted, or not reflected in the same way, in a multilateral program, a bilateral program will still be necessary. Indeed, properly done, we believe the two can be complementary.

In our report, we have tried to identify the benefits that may accrue from each method of delivery, as well as the negatives potentially associated with each approach. We commend this analysis to the Committee's attention.

2. Nature of the U.S. Bilateral Aid Program

Any reform of the U.S. foreign assistance program will and should affect the face of AID or any other aid-giving agency. It should result in the elimination of some programs, an increase in the resources of others, and perhaps some new programs. In general, we foresee a more targeted program as a result of the reform effort. I should caution, however, that the ABA has not made a study of AID programs with the purpose of recommending specific changes in the agency. Rather, we have tried to focus on the key issues mentioned above -- of goals and objectives -- believing that the structural reform should necessarily follow from and reflect the decisions that are made on that level.

What Kind of Reform Will Best Suit U.S. Interests?

In the view of the ABA, reform of the U.S. foreign-aid program should focus on the following goals:

- Creating a structure that has the institutional ability to respond rapidly to changing circumstances and needs;

- Maintenance of a consistent, long-term effort where goals cannot be achieved quickly;

- A willingness to permit the aid-delivering agencies to experiment, and to find creative solutions to difficult problems;

- An ability to maintain simultaneous activity on a variety of fronts; and finally

- De-politicization of the aid program to the maximum extent possible.

Let me now spend a few moments highlighting an area of particular concern to our Association.

The Importance of the Rule of Law

One of the overarching goals of the ABA is the promotion of the rule of law throughout the world. Because of that goal, it is understandable that we would focus on the importance of the rule of law to strong and sustainable development.

The rule of law should be the cornerstone of any effort to promote democracy, human rights, and economic development that is sustainable and environmentally sound. In our view, the United States is uniquely positioned to offer expertise in this arena, and can itself expect to benefit from the fruits of its assistance in these areas. Not unimportantly, we recognize that such efforts are perhaps easier for a U.S. population generally unsupportive of foreign assistance to embrace. At the same time, however, we recognize that the U.S. model will not, and should not, be the only relevant model for a developing country. Other donor countries may provide civil law models, parliamentary systems, and perhaps others, for consideration. Ultimately, the recipient country must choose which model suits it best.

Issues of specific application aside, however, it is well-recognized that democratic societies are in general more pacific (internally as well as externally), more stable, and better able to provide for their people. They are less likely to create situations that will lead to population upheaval. It is not sufficient to focus simply on political development, however. Our foreign assistance efforts should also be geared towards assisting in establishing the infrastructure for economic development.

Both political and economic development have a significant legal component. Promotion of democratization and human rights requires the development of legal and regulatory systems and institutions that will defend and nurture the rights of individuals, channeling conflict to pacific means of resolution, and allowing for individual participation in the system of governance, among other things.

Promotion of economic development also requires a legal infrastructure that establishes the framework for economic activity, and controls improper conduct, whether that conduct be corrupt, or simply violative of the norms defined by the society.

Finally, we note that protection of the environment also has a significant legal dimension, from the development of norms and standards for business or other activity, and the assembly of information regarding environmental effects, to the enforcement of the rules of conduct.

The legal infrastructure we are advocating is as important to the development of a society as the physical infrastructure that has been the focus of many development programs. Although not as tangible as a dam or a road, legal infrastructure is at least as critical to the functioning of a democratic society. One only has to look at the states of the former Soviet Union to realize this point.

Building this legal infrastructure suggests a broader approach to foreign assistance than simply delivering money to a foreign government (although that may be one way to proceed). It suggests more training programs, for example. It may also suggest different target groups to receive that training.

The Approach of H.R. 3765

As noted above, we agree with and support the goals and approach of H.R. 3765 as they relate to the issues on which the Association has taken an official position. As my comments here suggest, however, while the broad-brush strokes of the proposed legislation generally cover the right territory, we would urge that more specific attention should be paid to rule of law and legal infrastructure issues. The bill should provide the authority for assistance programs that will concentrate on establishing law-based constitutional and government structures that enable political pluralism and market economies to flourish, and which protect the rights of all individuals and groups, especially in countries with sizable ethnic or religious minorities.

In particular, we would recommend that greater attention be given to these issues in Titles I and II of the bill. We would also note that the country requirements under

Title I of the bill imply a very high level of political development before assistance for sustainable development may be granted. We believe this is unrealistic, and perhaps unwise. First, the bill suggests a U.S. model of political development that may not be appropriate for all countries. Second, political development will not always precede economic development. It may accompany sustainable development, or even lag behind it. Even where it lags, that may not mean that there is no justification for economic development assistance. Rather, it may mean that both political and economic development assistance need to occur in tandem, and that effective methods and safeguards for delivering economic development assistance under those circumstances will need to be devised.

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We hope these comments are helpful in your consideration of this important legislation. Thank you again, Mr. Chairman, for the opportunity to appear before the Committee. I would be happy to try to address any questions that you may have.

CAUTIONARY NOTE

Only the **RESOLUTION(S)** presented herein, when approved by the House of Delegates, become official policy of the American Bar Association. Those are listed under the heading **RECOMMENDATION(S)**. Comments and suggestions are listed under the sub-heading **REPORT** are not approved by the House in its voting and represent only the views of the Section or Committee submitting them. Reports containing **NO** recommendations (resolutions) for specific action by the House are merely informative and likewise represent only the views of the Section or Committee.

**AMERICAN BAR ASSOCIATION
SECTION OF INTERNATIONAL LAW AND PRACTICE**

RECOMMENDATION

- | | |
|--|----|
| BE IT RESOLVED, that the American Bar Association supports | 1 |
| fundamental reform of the U.S. foreign assistance program; and | 2 |
|
BE IT FURTHER RESOLVED, that the American Bar Association | 3 |
| supports a program which has among its central components the | 4 |
| following types of foreign assistance, delivered through both | 5 |
| bilateral and multilateral agencies, as appropriate: | 6 |
| (a) foreign assistance to promote democratization, human | 7 |
| rights, and the rule of law; | 8 |
| (b) foreign assistance to promote the establishment of the | 9 |
| legal infrastructure necessary for economic development and | 10 |
| international commerce; and | 11 |
| (c) foreign assistance to promote sustainable development | 12 |
| that is environmentally sound. | 13 |

REPORTSummary

This Report provides the views of the Section of International Law and Practice (the "Section") on reform of U.S. foreign assistance programs. The Working Group that drafted the report was formed in early 1993 for the purpose of analyzing the new Administration's intended reform of such programs and providing input to the Administration on the direction and content of that reform.

In general, the Working Group viewed its focus as being related to Goal VIII of the Association, "Promoting the Rule of Law Throughout the World". The Working Group's mission was not to serve as an advocate for, or an opponent of, continued funding by the Agency for International Development ("AID") or other development agency funding of American Bar Association activities. Nor did the Working Group feel it was appropriate for it to take any position regarding AID's continued existence or internal organization. It also declined to address the subject of foreign military assistance.

Based on the conclusions and recommendations of the Working Group, the Section supports fundamental reform of the U.S. foreign assistance program. The United States must become more focused in the articulation and implementation of its foreign assistance objectives. Among other things, the "patchwork quilt" process by which foreign assistance policy has been made in the United States in recent years, reflected in the current Foreign Assistance Act and other statutes, needs fundamental reform. The new regime must be devised and implemented in such a way as to permit simultaneous activity on several fronts, long-term efforts, experimentation, and rapid responses to changing circumstances and needs. It must be de-politicized to the maximum extent possible.

Fostering democratization, respect for human rights and the rule of law should be key objectives of the U.S. foreign assistance program. The Report clarifies these concepts, and identifies the elements of a program for political development. The Section notes, however, that it is not sufficient to focus simply on political development. Countries should also be assisted in establishing the infrastructure for economic development which in turn gives nations the means to support themselves and grow, and provides security for the political rights of all the people. The Report describes the elements of an economic development program, and the process by which it should be formulated. As a third objective, the Report focuses

on environmentally sound development and legal- based structures that will support principled environmental decisionmaking.

The Report concludes that the foregoing objectives should be achieved by a combination of bilateral and multilateral means. The pros and cons of bilateral and multilateral programs are examined in detail. In the Section's view, a bilateral approach is the best vehicle for pursuing unique foreign policy and other interests of the United States. However, where there are shared interests, a multilateral approach is appropriate, and may even be preferable in an era of scarcer dollars.

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In view of the desirable goals outlined in the Report, the Section of International Law and Practice supports the recommendations outlined above.

Table of Contents

	Page
BACKGROUND	
A. Membership of the Working Group	1
B. Mission of the Working Group	1
C. Focus of this Report	2
SUMMARY OF ASSUMPTIONS, CONCLUSIONS AND RECOMMENDATIONS	3
INTRODUCTION	
A. A New Era for Foreign Assistance	5
B. A Program for the 1990s and Beyond	6
I. U.S. Foreign Assistance to Promote Democratization, the Rule of Law and Human Rights	6
A. The Justification for Foreign Assistance in This Area	6
B. The Meaning of "Democratization"	7
C. The Programmatic Focus	9
D. Past Efforts	9
E. The Means of Delivery	10
F. Elements of a Law for Development Program	10
1. Rule of Law and Human Rights	10
2. Independent Media	11
3. Democratic Pluralism, Social and Political Process	11
4. Democratic Governance and Public Administration	12
II. U.S. Foreign Assistance to Promote Economic Development: Goals and Mechanisms	13
A. The Role of Law in Economic Development and the Goals of Technical Assistance in "Law for Development"	13
1. Law for Development as a Part of the Transformation to a Market Economy	14
2. Law for Development as Promoting Economic Activity and International Trade	14
B. Current Efforts in Legal Technical Assistance	15
1. Bilateral Efforts	15
2. Multilateral and Foreign Bilateral Efforts	16
C. Elements of a Law for Development Program	16
1. Generally Applicable Commercial Laws	16
2. International Trade/Investment Laws	17
D. Developing Laws in the Relevant Areas	17
E. Coordination of Efforts	17
III. Foreign Assistance Relating to Environmental Matters and Sustainable Development	19
A. The Justification for Assistance in this Area	19
B. Current Programs	20
C. Elements of a Program	20
IV. Foreign Aid Delivery Mechanisms	22
A. A Dual-Track Approach to Foreign Assistance	22
B. The Pros and Cons of Each Approach	23
C. Alternative Forms of Assistance are Both Complementary and Necessary	26

BACKGROUND

The Working Group on U.S. Foreign Assistance Programs (the "Working Group") was formed in early 1993 for the purpose of analyzing the new Administration's intended reform of U.S. foreign assistance programs and providing input to the new Administration on the direction and content of that reform.

A. Membership of the Working Group

Members of the Working Group (listed in Attachment A) were recruited from a variety of committees within the Section of International Law and Practice, including the International Investment and Development Committee, the International Environmental Law Committee, the International Banking and Finance Committee, the International Legal Exchange Committee, and others. In addition, Section members and others known in the international development community were specifically recruited. The membership of the Working Group includes former general counsels of the Agency for International Development ("AID"), the Overseas Private Investment Corporation ("OPIC"), and the Inter-American Development Bank, and individuals with experience at other government agencies and multilateral development institutions, as well as private-sector-based experience in the area. The group is bipartisan in composition.

In addition to the membership of the Working Group, several individuals served in a resource capacity. These included several employees of different government agencies who preferred not to be identified by name, but who actively participated in the deliberations of the Working Group and contributed their time and expertise.

The membership of the Working Group does not include any member of the Board of Directors of the Central and Eastern European Law Institute (CEELI) or any other ABA project funded by AID or any other development agency. It does include individuals who are familiar with existing U.S. government-funded ABA activities in the areas discussed in this Report.

B. Mission of the Working Group

The mission of the Working Group was debated extensively by the group at its initial meetings. There was unanimity among the membership about what the group's mission was not: It was not to serve as an advocate for, or an opponent of, continued AID or other development agency funding of ABA activities. Nor did the group feel it was appropriate for it to take any position regarding AID's continued existence or internal organization. The Working Group also declined to address the subject of foreign military assistance.

In general, the group viewed its focus as being related to Goal VIII of the Association, "Promoting the Rule of Law Throughout the World". There was lively debate within the Working Group about how broad a mission it should have within this context; specifically, whether it should limit its focus to the so-called "legal component" of U.S. assistance programs, or whether it should feel free to address broader questions. In the end, the group concluded that we should focus on those areas where we had the greatest expertise and/or an ability to contribute to the dialogue.¹

C. Focus of this Report

Taking a rule-of-law emphasis, the Working Group decided to focus on three possible substantive objectives of a U.S. development-assistance program:

1. foreign assistance to promote democratization, human rights, and the rule of law;
2. foreign assistance to promote the legal infrastructure necessary for economic development (herein referred to as "law for development"); and
3. foreign assistance to promote sustainable development that is environmentally sound.

We chose these three areas, not because we believe they should be the sole focus of a development-assistance program--obviously, some portion of U.S. assistance will be dedicated to meeting basic human needs of an immediate nature, and some will likely also be dedicated to refugee and disaster assistance. Rather, we addressed these areas in part because they fit within our areas of greatest expertise, as noted above. Moreover, we chose them because we believe they are an appropriate focus for a long-term approach to sustainable development in the fullest sense, and therefore for the U.S. development assistance program. Furthermore, we chose them because the U.S. has a unique interest or expertise to offer in each of these areas, and may itself expect to benefit from the fruits of its assistance in these

¹ The Working Group recognized the plethora of existing studies regarding the future of AID and the direction of the U.S. foreign assistance program. It decided that it would not be useful to replicate those studies, or to try to tackle the issue of rewriting of U.S. foreign assistance laws in detail. In preparing this report, the group has of necessity reviewed some of the studies, and relevant provisions of the Foreign Assistance Act. This Report, however, is intended more as a "white paper" on selected issues than another study. It reflects the collective insights, research and experiences of the group's members with respect to the issues addressed.

areas. As such, they are perhaps easier for a U.S. population generally unsupportive of foreign assistance to embrace.

In addition, the group decided to address a fourth issue -- the pros and cons of multilateral versus bilateral assistance -- because of the apparent dearth of analysis on that issue, and a belief that such an analysis could contribute to a better understanding of the policy choices with respect to that issue.

SUMMARY OF ASSUMPTIONS, CONCLUSIONS AND RECOMMENDATIONS

The Working Group Report includes the following assumptions, conclusions and recommendations:

1. Foreign assistance goals are and should be an outgrowth of U.S. foreign and domestic policies. Just as the end of the Cold War has led to a rethinking of U.S. foreign policy, so should it lead naturally to a reevaluation and revamping of U.S. foreign assistance programs.

2. The United States must become more focused in the articulation and implementation of its foreign assistance objectives. Among other things, the "patchwork quilt" process by which foreign assistance policy has been made in the United States in recent years, reflected in the current Foreign Assistance Act ("FAA") and other statutes, needs fundamental reform. The new regime must be devised and implemented in such a way as to permit simultaneous activity on several fronts, long-term efforts, experimentation, and rapid responses to changing circumstances and needs. It must be de-politicized to the maximum extent possible.

3. Projects and programs should generally be designed not as handouts, but as transferring the skills, tools, and structures that will enable a country to progress in its political and economic development. Programs should be designed so that input from the recipient country is provided throughout their design and implementation.

4. Other important and legitimate considerations of the U.S. development program should be collateral economic benefits to the United States and environmental soundness (given the spillover into the "global commons" of environmental effects).

5. Fostering democratization, respect for human rights and the rule of law should be key objectives of the U.S. foreign assistance program. As pointed out in Part I of this Report, democratic societies are more pacific (internally as well as externally), more stable, and better able to provide for their people. They are less likely to create situations which will lead to population upheaval. Except in rare cases of clearly overriding U.S. security interests, monetary and certain forms of in-kind assistance should not be provided to governments when

their acts and policies are antithetical to democratization, human rights, or the rule of law. Technical assistance to such governments for political development, on the other hand, may help advance the cause of reform in those countries.

6. It is not sufficient to focus simply on political development, however. As discussed in Part II of this Report, countries should also be assisted in establishing the infrastructure for economic development. As the experience of Eastern Europe and the former Soviet Union shows, political development without concomitant economic development is a risky and unstable proposition. Economic development gives nations the means to support themselves and to grow, and provides security for the political rights of all the people.

7. Both political and economic development have a significant legal component. Promotion of democratization and human rights requires the development of legal and regulatory systems and institutions that will defend and nurture the rights of individuals, channeling conflict to pacific means of resolution, allowing for individual participation in the system, etc. Promotion of economic development requires a legal infrastructure that establishes the framework for economic activity, and controls improper conduct, whether that conduct be corrupt, or simply violative of the norms defined by the society.

8. As discussed in Part III of this Report, protection of the environment also has a significant legal dimension, from the development of norms and standards for business or other activity, and the assembly of information regarding environmental effects, to the enforcement of the rules of conduct.

9. The foregoing goals -- of promoting political and economic development in sustainable ways that are not harmful to the environment -- should be achieved by a combination of bilateral and multilateral means. Traditionally, the United States has pursued its development assistance goals predominately through a bilateral approach. As identified in Part IV of this Report, there are pros and cons associated with each approach. A bilateral approach is the best vehicle for pursuing unique foreign policy and other interests of the United States. Where there are shared interests, however, a multilateral approach is appropriate, and may even be preferable in an era of scarcer dollars. A multilateral approach may also permit greater depoliticization, and may promote experimentation and diversity of models.²

² There are those in the Working Group who would argue precisely the contrary position with respect to the issues of ability to experiment and diversity of models.

INTRODUCTION

A. A New Era for Foreign Assistance

Any analysis of U.S. foreign assistance policy necessarily reflects elements of the larger American debate over the virtues of foreign aid. We begin, however, from the premise that the question of whether or not the United States should provide foreign assistance has been -- and should be -- decided in the affirmative.³ While pressures to adopt a policy to the contrary may exist,⁴ the reality of America's global role is such that complete extrication from the development assistance arena is highly unlikely, as well as inadvisable. Thus, our discussion focuses on how, in view of this reality, this country's foreign assistance goals should be defined in the new world order and how those goals, once defined, can best be achieved.

The roots of America's foreign aid policy go back some fifty years, to European and Japanese reconstruction efforts after World War II. The United States was, of course, a major supporter of those efforts. Significantly, U.S. involvement in multilateral institutions such as the United Nations, the World Bank, and the International Monetary Fund dates from that same era. As one source notes, "[f]oreign aid as we know it today grew out of the post-World War II experience with the Marshall Plan and other reconstruction programs and coincided with the end of colonialism."⁵ During the Cold War years that followed, the United States' choices as to how its limited foreign aid dollars would most optimally be spent, more often than not, were influenced by a recipient country's allegiances -- or strategic significance -- in a bipolar world.⁶

³ As noted in a recent report, "[f]oreign aid has been an integral part of the conduct of U.S. foreign policy for most of the postwar period." East Asia: Regional Economic Integration and Implications for the United States, United States International Trade Commission Publication 2621, May 1993, at 90.

⁴ See, e.g., "Beware of the International Monetary Fund," by Robert W. Lee, in The Review of the News, May 25, 1983, at 51 (stating that "[f]oreign aid is perhaps the most unpopular and expensive program ever foisted on American taxpayers by their representatives in Congress.")

⁵ See The President's Commission on the Management of A.I.D. Programs, "Critical Underlying Issues -- Further Analysis," December 22, 1992, at 10.

⁶ Id. (noting that "[t]he U.S. aid program was shaped by Cold War political and security concerns with instability in the Middle East and the spread of communism in the Third World.")

The post-Cold War years mark the beginning of a different era, and there is much speculation about the role America should play in this new world. A re-focusing of our foreign assistance policy is necessary as well as timely. With the increasing acceptance of free-market economies and democratic systems of governance around the world, the United States faces the choice of whether to rest on the perceived success of the 40-year struggle against communism, or to recognize that the incipient democratic transformation now underway may well fail if left to evolve without much needed support. As Senator Leahy has stated, "[t]he fundamental question that this Nation must face now is whether we will win the cold war but then lose the peace."⁷

B. A Program for the 1990s and Beyond

"Winning the peace" means in our view encouraging the development of stable and, optimally, democratic governments. It means promoting the development of productive economies. It means creating a world that is more, not less, habitable. In a global economy, it means creating structures and circumstances that are conducive to increased U.S. trade and investment. Each of these has a significant -- indeed, perhaps a critical -- legal component.

I. U.S. Foreign Assistance to Promote Democratization, the Rule of Law and Human Rights

A. The Justification for Foreign Assistance in This Area

U.S. foreign assistance activities should be guided to a significant extent by U.S. foreign-policy objectives. They should also reflect the democratic and humanitarian instincts of the American people. The principal justification for foreign assistance over the long term, however, lies in its role in furthering U.S. foreign policy and U.S. interests.⁸

Three important and longstanding U.S. foreign policy objectives are to promote the process of democratization, to establish a society governed by the rule of law, and to advance the protection of human rights in the world. Democratic institutions form the foundation within a country for enduring political freedom and broad-based participation in civic and economic affairs. Democratic countries have historically

⁷ Statement of Sen. Patrick Leahy on "Restructuring Russian Aid," Cong. Rec. S2377, March 4, 1993.

⁸ At the same time, it must be recognized that most effective foreign assistance efforts are long-term in character. To ensure the necessary stability, the programs selected by the U.S. should be the outgrowth of widely-shared U.S. values and interests.

conducted their external affairs peacefully, contribute to the stability of the international system, and enable economic progress to occur while also respecting human rights.

The historical experience of the United States provides it with a comparative advantage relative to most other countries in providing foreign assistance to promote democratic institutions and values. Other countries look to the U.S. experience as instructive. The United States was the first country to rebel against colonialism and has remained democratic for over 200 years. This gives the United States a unique leadership obligation, which it should exercise in developing bilateral and multinational programs tailored to the particular needs of individual countries, as well as to regional and global conditions. At the same time, the United States needs to recognize that the U.S. model will not and should not be the only relevant model for a developing country. Other donor countries may provide civil law models, parliamentary systems, and perhaps others, for consideration. Ultimately, the recipient country must choose which model suits it best.

B. The Meaning of "Democratization"

While there is no generally-agreed definition of "democracy," several recent international instruments enumerate the factors that characterize a democratic system of government. They include factors such as:

a. free elections are held at reasonable intervals by secret ballot (or by equivalent free voting procedure), under conditions that ensure in practice the free expression of the opinion of the electorate in the choice of their representatives;

b. the executive is accountable to the elected legislature or the electorate;

c. the government, the public authorities and the legislature have the duty to comply with the constitution and to act in a manner consistent with laws enacted thereunder;

d. everyone has an effective means of redress against government or administrative decisions;

e. a national legislature should be so organized that a majority will not be able to abuse its power to limit the participation of the minority in decision-making, and the minority will not be able to obstruct unduly the legislative process;

f. human rights and fundamental freedoms are guaranteed by law, which in turn must be consistent with a state's international obligations;

g. all persons are equal before the law and are entitled, without discrimination, to the equal protection of the law;

h. the legal system prohibits any discrimination, and guarantees to all persons equal and effective protection against discrimination on any grounds;

i. the independence of judges and impartial operation of the public judicial service is effectively ensured;

j. the independence of legal practitioners is protected, and the autonomy of the lawyers' associations is guaranteed; and

k. all the media are guaranteed freedom of expression and of dissemination of information.

Any one of these factors has a variety of important components that may also be spelled out. For instance, free elections should provide for:

-- more than one party to participate in the elections;

-- all seats in at least one chamber of the legislature to be freely contested in a popular vote;

-- all adult citizens, without any discrimination, to vote;

-- the voting procedure must be properly supervised (including, if necessary, international monitors), votes must be honestly counted and reported, and the official results must be promptly published;

-- political campaigning must be conducted in a fair and free atmosphere, free from intimidation by administrative action or violence; and

-- no legal or administrative obstacles may be allowed to impede the access of candidates and parties to the media during the campaign.⁹

⁹ These factors and components were excerpted, with slight modifications, from such diverse documents as the 1990 Concluding Document of the Copenhagen Conference on Human Dimension of the Conference on Security and Cooperation in Europe (CSCE); the 1991 Paris Agreement on a Comprehensive Political Settlement of the Cambodia Conflict, concluded by a group of Asian states and the five permanent members of the Security Council (Annex 5, paras. 4 and 5, 31 I.L.M. 200 (1992); and the statement of fundamental principles prescribed by a special session of the General Assembly of the United Nations (1992).
(continued...)

C. The Programmatic Focus

U.S. foreign assistance programs to promote democracy, human rights, and the rule of law should focus on specific goals in light of limited available financial resources, and the need to take into account the competence of U.S. aid-giving agencies to develop and implement practical, effective programs. Such programs must also take into consideration the needs and priorities of recipient countries. In a broad framework, U.S. assistance should concentrate on establishing law-based constitutional and government structures that enable political pluralism and market economies to flourish, and which protect the rights of all individuals and groups, especially in countries with sizable ethnic or religious minorities. Public education programs in recipient countries are especially important, particularly in countries that do not have a tradition of democratic institutions and market economies, or where ethnic conflicts persist.

D. Past Efforts

U.S. foreign assistance programs in the past have not focused heavily on promoting the development of stable democratic societies and human rights.⁹ Perhaps too much emphasis was placed on Cold War foreign policy objectives and too little attention was paid to evaluating results. Circumstances, however, have changed and so too should U.S. foreign assistance. Furthermore, except in rare cases of clearly overriding U.S. security interests, monetary and certain forms of in-kind assistance should not be provided to governments whose acts and policies are antithetical to democratization, human rights, and the rule of law.¹¹

⁹(...continued)

Nations for South Africa in its 1989 Declaration on Apartheid and Its Destructive Consequences in Southern Africa, annexed to GA Resolution S-16/1, 14 December 1989. See also Thomas M. Franck, "The Emerging Right to Democratic Governance", 6 Am. J. Int'l L. 46-91 (1992).

¹⁰ See FAA, §§ 281 ("Utilization of Democratic Institutions in Development"), 116 ("Human Rights"). These are the two primary sections of the FAA that deal with -- and only in a limited manner -- democratic development. However, the SEED Act of 1989 and the Freedom Support Act of 1992 both provide for extensive programs for democratic institution-building.

¹¹ Acceptance of this principle does not imply that no aid should be given to such countries. It may be possible to deliver aid in a way that will assure that it will reach the intended beneficiaries or that will ally the aid-giver with the cause of reform. Further, aid in the form of technical
(continued...)

E. The Means of Delivery

As discussed in more detail in Part IV of this Report, in promoting democratization and human rights, U.S. foreign assistance should go beyond bilateral efforts. Emphasis on multinational efforts should become a basic part of U.S. foreign assistance. The United States should consider means by which its own activities can be augmented and supplemented (financially and in terms of programs) by encouraging multinational agencies (such as the various U.N. specialized agencies and regional agencies) to restructure their governance and reorient their programming so they would be able to become more effective in addressing difficult problems. Now that the Cold War is behind us, the U.N. specialized agencies have the possibility of being better able to focus their concerns, to reach consensus on policy objectives, and to develop cooperative programs designed to address contentious and long-neglected issues. The United States can influence this process and coordinate its own program with those of the U.N. and regional agencies.

F. Elements of a Law for Development Program

The outline below provides an inventory of the major forms of technical assistance that the U.S. government could provide through bilateral or multilateral assistance in the areas of democratization, promoting the rule of law and protecting human rights. It does not deal with the related, but different, issue of providing technical assistance to promote economic reform, growth, and stability that is discussed in Part II of this Report. Some of the forms of assistance noted below would be more or less appropriate depending on the particular recipient country or region, its existing historical traditions and its level of political and social development.

1. Rule of Law and Human Rights

- a. Assist in the development of constitutional, criminal, and civil laws
- b. Assist in the development of administrative procedure laws and regulations
- c. Assist in the development of an independent judiciary and the training of judges and lawyers to function within such a system

¹¹(...continued)

assistance of the type advocated here (as opposed to monetary assistance or other types of in-kind assistance) may assist in advancing democratization, human rights, and the rule of law, because it strengthens the education base, and potential support for a law-based society. In that sense, it is unlike dams and roads.

- d. Assist in the development of parliamentary procedures and the training of legislators
- e. Assist in the development of law schools, and the training of prosecutors and public defenders
- f. Assist in the establishment of civilian control of the military and the training of police
- g. Provide human rights training to leaders of non-governmental organizations, labor unions and other advocacy organizations
- h. Encourage ratification of and adherence to U.N. and regional human rights agreements
- i. Assist in fostering compliance with laws, by
 - (i) promoting public education efforts to foster compliance
 - (ii) assisting in the development of anticorruption programs

2. Independent Media

- a. Promote the establishment of government policies facilitating the independence of media
- b. Provide training to journalists and broadcasters
- c. Assist in the development of broadcast regulations, libel laws

3. Democratic Pluralism, Social and Political Process

- a. Supply support for free elections -- monitoring, equipment, election commissions
- b. Assist in the development of political parties
- c. Assist in the development of free independent democratic trade unions
- d. Assist in the development of non-government organizations ("NGOs"), civic organizations and citizens' networks

- e. Provide educational reform; train teachers
 - f. Assist in establishing universities; providing fellowships for students and professors to study in the United States
4. Democratic Governance and Public Administration
- a. Assist in the training of city and municipal managers
 - b. Provide training in organizational management
 - c. Provide training in budgets and finance
 - d. Provide training in contracting and procurement
 - e. Provide training in personnel systems

To provide effective assistance in these areas will require expertise in the subject matter, combined with expertise in the country or region. Since it is unlikely that any agency will (or should) possess the full range of subject-matter expertise,¹² it will necessitate an ability to mobilize a variety of outside resources, public and private. However, it is important that the U.S. government provide effective project development and oversight, because outside contractors will not have the breadth of perspective nor the long-term view that the government can bring to bear.¹³

¹² In our view, the lead U.S. foreign assistance agency needs "subject matter expertise" in the process of political development, but not in all the specific substantive areas that such development may implicate. It needs some appreciation of comparative law issues, and particularly of the differences between common and civil law societies.

¹³ There may, of course be exceptions (and we believe there are), but the need for stewardship will remain simply to ensure that taxpayer funds are properly spent.

II. U.S. Foreign Assistance to Promote Economic Development: Goals and Mechanisms

A. The Role of Law in Economic Development and the Goals of Technical Assistance in "Law for Development"

Promoting economic development has long been a goal of many foreign assistance programs. The economic development activities we are proposing do not, however, fall under the rubric of traditional "infrastructure" projects (although we would argue that they are structurally even more basic than a dam or road). Rather, our focus is on development of a legal infrastructure for commercial activity, both among nationals of the developing country, and with those from outside -- what we have previously referred to as "law for development".

We believe that law for development should be a central element of U.S. foreign assistance programs seeking to promote economic development and the rule of law.¹⁴ Legal institutions constitute social learning: a set of rules that facilitate and guide social and economic interaction. If we are able to reform the rules in a developing country, and enhance their general acceptability and thus improve its societal "mind", we will help it to be productive and to adapt by itself.¹⁵ Below are examples

¹⁴ While business and technological skills are also critical to economic development, these capabilities are more likely to flow naturally if the appropriate legal and institutional environment is available. In a market economy, such capabilities will not necessarily be provided by the government, or by other governments. On the other hand, law is the natural and appropriate function of government, and legal and governing skills may not develop naturally by market mechanisms.

¹⁵ Perhaps an example is in order. An economy that has been directed through state planning in the past is in need of a new brain for allocating capital. In the past in these countries, capital was allocated by plan, with bureaucrats deciding priorities and determining efficiencies. These bureaucrats are increasingly being turned out of their jobs, but how is capital to be allocated? In the U.S. model of a market economy, capital is allocated largely by entrepreneurs, business organizations, banks and securities markets. These allocators harness market forces to discipline the allocation of capital and also decentralize decisions regarding the allocation of capital. But as we have seen countless times, financial institutions need appropriate regulation in order to operate efficiently and without disasters. Technical assistance efforts may provide assistance in instituting appropriate legal and regulatory systems, and thereby help to

(continued...)

of what law for development may accomplish in developing countries.

1. Law for Development as a Part of the Transformation to a Market Economy

Legal infrastructure is necessary for successful privatization and transformation of a centrally-planned economy for several reasons. First, it is necessary to facilitate economic transactions that comprise a market economy: Appropriate laws allow more efficient transactions by providing a framework for them. Second, it is necessary to avoid the abuse that may arise in an unregulated market economy. Many reformers in developing countries are as market-oriented as one can be, failing to recognize that the market presents significant opportunities for abuse that a society cannot sustain. By providing appropriate laws and regulations, abuse can be limited and a possible backlash away from a market system can be avoided.

2. Law for Development as Promoting Economic Activity and International Trade

Technical assistance in law and regulation can play an important role in helping developing countries and emerging democracies develop their own enterprises. It also incidentally contributes to the development of market opportunities for U.S. goods.

- With an effective financial system, manufacturers in developing countries can obtain financing to establish plants and to acquire raw materials or equipment needed to produce for the domestic or export markets.
- In addition, in the area of intellectual property, technical assistance can help to produce acceptable intellectual property laws and enhance the degree of enforcement of those laws. Importantly, this kind of assistance has the effect of encouraging trade in markets that U.S. producers might otherwise be reluctant to enter.
- Finally, by helping to create impartial and fair legal and regulatory systems,

¹⁵(...continued)

establish a mechanism that can allocate capital appropriately in developing countries. We could continue with examples in other areas of law, all illustrating the same point: Developing countries need appropriate and efficient legal and regulatory systems in order to make use of the abilities and resources they have, and thereby, to develop.

international trade will be enhanced. Thus, legal and regulatory assistance can help to create appropriate conditions for U.S. foreign investment, and markets for U.S. goods and services. One need only look to our southern neighbor, Mexico, to understand the relationship between enhanced U.S. trade and domestic law reform in developing countries, in areas such as intellectual property, environmental protection, labor protection and foreign investment law.

Legal reform in the area of democratic institution-building, as recommended in Section I, in addition to providing the political infrastructure for a stable existence, works synergistically with efforts to improve the legal infrastructure for business and economic relations. For example, an impartial legal system for the regulation and facilitation of a market economy will serve to establish and protect against arbitrary governmental power, a society in which the rule of law may flourish. Without a sound administrative law and court system, effective regulation is impossible, and dispute resolution relating to transactions will be unavailable, raising the costs of doing business.

Finally, although discussed separately in Part III of this Report, fostering environmental protection and sustainable development is one element of the law for development agenda. Training and technical assistance in developing and implementing appropriate environmental laws and institutions is important in order to help provide the capabilities to regulate this highly technical area, and to ensure that economic development is not achieved at an unacceptable price (not only to the developing country but to the international community) in terms of environmental degradation.

B. Current Efforts in Legal Technical Assistance

1. Bilateral Efforts

U.S. bilateral "law for development" efforts to date have been relatively modest in goals and effects. The most significant projects in terms of scope and level of funding have been AID projects in Eastern Europe and Indonesia. In addition, many other U.S. agencies, including the Commerce Department, the SEC, the Federal Reserve, the Justice Department, the State Department, the Treasury Department, the Internal Revenue Service and the EPA, engage in legal technical assistance programs. Such a plethora of assistance-givers creates a challenge for coordination. Furthermore, all these efforts draw significantly on external expertise, often relying on a number of separate for-profit or not-for-profit contractors. This may raise difficult issues of coordination, consistency, conflicts of

interest, excess cost, continuity of advice and completeness of advice.

2. Multilateral and Foreign Bilateral Efforts

The World Bank and the UN, other multilateral agencies and other governments have for some time been concerned about the importance of legal reform in the developing countries, but only recently have they begun to engage in significant efforts in the technical assistance for law applicable in the development field. However, these efforts often are not coordinated with those of AID or with other agencies of the U.S. or other governments.

C. Elements of a Law for Development Program

For the reasons set out previously, we believe that technical assistance in the area of "law for development" offers enormous benefits, by providing the tools needed for self-sufficiency, allowing recipient countries finally to "graduate" from their dependence. Today, much of what passes for technical assistance in law for development is too short-term, and too superficial, or even too narrow and technical, to be of lasting utility. In addition, resources are wasted by competing donor institutions, each offering short-term or superficial assistance. It is clear that there are no quick fixes in law for development. Rather, law for development requires the sustained application of analytical resources from both the donor countries and the recipient country. Set forth below is a list of critical areas to be developed in the legal systems and a list of tasks that should be undertaken in that process.

1. Generally Applicable Commercial Laws

- a. Competition policies and laws
- b. Banking and finance laws
- c. Tax laws
- d. Securities laws
- e. Sale-of-goods laws
- f. Secured transactions laws
- g. Real property laws
- h. Personal property laws
- i. Intellectual property laws
- j. Business organization laws
- k. Bankruptcy laws
- l. Administrative laws
- m. Procurement laws
- n. Environmental laws
- o. Labor laws

2. International Trade/Investment Laws

- a. Foreign investment laws
- b. Customs and import laws
- c. Unfair trade practices laws
- d. Arbitration laws

D. Developing Laws in the Relevant Areas

In terms of process, developing laws in these areas implies a series of tasks:

1. Assess the needs of the society involved. What laws or legal institutions are needed? Consider what laws and institutions exist and what is the appropriate order for the introduction of new laws and institutions.
2. Assess the local legal, economic, political and social context. How should the appropriate laws or legal institutions be devised to fit local society in terms of its domestic and international goals?
3. Undertake a comparative law effort, examining various foreign laws and legal institutions. Which of them would fit local society the best? The choice must be made by the recipient society, through democratically validated institutions of government.
4. Tailor laws and institutions for local society.
5. Devise a plan of implementation. This plan should include appropriate explanations to legislators, appropriate education for those to be charged with enforcing, operating or complying with the law and appropriate follow-up to assess the utility of the law or institution to achieve the goals set for it and recommend mid-course corrections.

Each of these tasks requires the active engagement of local legal, economic and political personnel, as well as foreign experts. As in any professional relationship, these experts must work in close consultation with their clients -- the host government in this case -- and, following consultation, conform to their instructions. It is necessary that experts from many disciplines, including not only law, but also economics, politics and sociology, work together in these efforts. Any particular law and development program would be structured over a period of several years, and benefit from consistent and continuous management over that period.

E. Coordination of Efforts

We believe that recipient governments should be given a full array of models from which to choose in establishing legal

regimes. The U.S. model is not necessarily the most useful for many countries. Coordination is desirable, however, to avoid redundancy, bureaucratic competition, and confusing cacophony. It is for this reason that we recommend maximum centralization of law for development efforts, at least among U.S. agencies. Although government agencies have different substantive expertise that can and should be brought to bear -- one can hardly imagine, for example, any serious efforts to develop securities laws without significant input from the SEC -- there is much about the law for development process that is generic. There would be great inefficiency if each agency possessing substantive expertise had to learn for itself how to provide its services effectively around the world. Thus, we see a need for a clearinghouse/coordinating function within the U.S. government. In this way, law for development efforts could be applied in a coordinated, coherent and continuous manner, under the guidance and direction of dedicated "in-house" professionals.

If AID were to be designated the coordinator of legal technical assistance among U.S. agencies, its substantive resources in law would need to be increased. Alternatively, another agency could be given the lead in this area. In either event, a staff of law for development specialists could coordinate and guide the efforts of functional specialists from both within and outside the government. It could provide the sensitivity to different societies, and to the process of law for development, that most separate law for development efforts presently lack.

In addition or alternatively, responsibility for these efforts could be delegated to a multilateral organization, which could work in conjunction with national program coordinators. If this were done, little increment to AID resources would be required, as these resources would be better located in the multilateral organization.

The World Bank, the IFC, the OECD, the Inter-American Development Bank, and the UN have begun to engage in some commendable law for development efforts, and their initial work has been promising. However, greater focus and specialization within any of these organizations would be required before it would be appropriate for any of them to be accorded centralized responsibility with respect to law for development.

As the pressures of a global economy demand greater harmonization of domestic law (e.g., with respect to the intellectual property, environmental, labor and foreign investment provisions of NAFTA, or the single market initiative of the European Community, or the uniform laws on commercial topics produced by UNCITRAL), a centralized clearinghouse of technical assistance in law might help to avoid unnecessary inconsistencies and differences that may act as impediments to trade.

Of course all countries will continue to have varying preferences and cultures, and therefore varying legal systems. Successful technical assistance in law for development, as we have learned, must be predicated on the desire and interest of the host country, and not imposed from above. Whatever the means of delivery, this fundamental principle must be respected. At the same time, the opportunity for countries to develop consistent approaches where consistency is desired must not be thwarted.

III. Foreign Assistance Relating to Environmental Matters and Sustainable Development

A. The Justification for Assistance in this Area

It has become well-established that the type of development to be promoted around the world is development that is sustainable by the host country. The term sustainable development refers to development that is environmentally sound. It connotes a variety of things, including use of appropriate technology, as well as available inputs and supplies, local workforce training, and last but not least, protection of the environment.

Promoting host-country development that is environmentally sound is in the interest of the United States. This follows from the realization that the countries of the world share a global commons, and that damage to a local environment -- for example, a tropical rain forest -- from economic or other activity can have an impact thousands of miles away, in the form of climate change, ozone depletion, loss of species diversity, and perhaps from other effects unknown to us today. Moreover, low environmental standards can have adverse trade effects.

Developing and developed countries will not always find common ground on the issues of the importance to be given to environmental protection efforts, or the particular projects or programs to be supported. These differences in perspective -- flowing from disparate levels of resources, stages of development, and from the fact that the global damage from a given activity may be less than the perceived local harm -- make the need for foreign assistance in this area even more compelling.

This Report assumes that there is a reasonably high degree of consensus surrounding the proposition that only development that is environmentally sound should be supported by U.S. foreign assistance efforts. The question then becomes what specific steps should be taken, and what programs should be adopted, by which agencies, to achieve the goal of environmentally sound development.

B. Current Programs

The question of what is appropriate is not an easy question to answer. AID's current efforts in the environmental area do not appear to represent an integrated part of its programs. Perhaps due to the grafting of specific conservation and environmental-protection mandates on to the FAA, AID has tended to focus on a limited universe of so-called "green" projects, involving conservation efforts under the rubric of its agricultural programs. At the same time, it has given less attention (except in its analysis of environmental impacts) to issues arising in other areas, such as hazardous waste disposal, and air and water pollution (so-called "brown" activities), that may be equally if not more important from an environmental standpoint. This has been exacerbated by funding decisions that may be project-oriented, rather than focused on the agency-wide development of skills and tools necessary if environmental issues are going to be integrated into programs in general.

That environmental issues cannot be confined to narrow or traditional concepts is underscored by the recent experience in the NAFTA negotiations. Clearly, many types of activities that have heretofore not been analyzed in terms of their environmental effects now will be. The same should be true for the activities funded by foreign assistance.

C. Elements of a Program

We recommend that the following be made priority tasks in connection with advancing the goal of environmentally responsible development assistance:

1. Environmental concerns need to be integrated into the program development and implementation processes of each development agency in which the U.S. participates. To achieve this integration, each such agency needs to have a section that is concerned with environmental issues, headed by a high-level appointee. While that section will be the most visible locus of institutional expertise on environmental issues, non-specialists within the agency should also be given training on environmental issues. (This is in fact an existing mandate for AID that has not been effectively implemented due to lack of funding.) Such training is particularly important for regional staff, who may be involved in project conceptualization and implementation.

2. The U.S. should support the establishment of training programs for host countries, in areas such as cross-sectoral environmental planning for activities that affect a

variety of different sectors, and the development of appropriate institutions to deal with environmental issues.¹⁶

3. Just as legislation to establish the legal infrastructure for commercial activities has been recommended, so the U.S. should provide technical assistance in the development of appropriate laws and regulations regarding environmental issues faced by developing countries. The democratization, human rights, and rule of law objectives described in Section I of this Report should be expanded to include an environmental component. The subcomponents of an environmental element would be:

a. the development of administrative procedures for the safeguarding of public and individual rights in the field of the environment;

b. the development of mechanisms for the integration of technical and scientific information into legislative and administrative processes;

c. public information and participation rights regarding environmental issues and decisions; and

d. possibly others, including the development of NGO organizations.

4. The law for development technical assistance for regulatory programs recommended in Part II of this Report also has an environmental dimension to it. Environmental regulation is one of the central parameters that countries establish in order to curb the deemed excesses of private conduct. Legal technical assistance in this arena would include:

a. development of pollution, air and water quality standards;

¹⁶ The United States has already "exported", through the FAA and otherwise, one of its most potent tools, the environmental impact statement ("EIS"). While some may disagree about the utility of that tool in foreign contexts -- and certainly it cannot operate in a vacuum without surrounding laws and institutions -- it is already a reality in many contexts. Countries that are required to prepare such statements, in order to receive U.S. assistance or to comply with their own domestic laws, need training in the preparation and use of such statements. Providing such training gives those responsible for administration of environmental laws and regulations in the host country a tool for gathering and analyzing relevant information. Given the U.S. parentage of the EIS concept, we have a natural leadership role in technical assistance in this area.

b. ~~establishment~~ of incentive structures to promote anti-pollution activity, and conversely, the development of liability standards, all as appropriate; and

c. the development of remediation schemes.

5. Because the priorities of developing countries will not necessarily coincide with those of the developed world regarding environmental issues, any foreign assistance program also needs to include a component for identifying, promoting and supporting projects whose global implications may be greater than their local implications or importance.

As with the other areas discussed, the precise dimensions of projects will vary from country to country and from region to region. Therefore, technical expertise in environmental issues will need to be married with regional expertise. Approaches that have worked in the more established systems of Latin American countries may not work in the newly-independent states of the former Soviet Union, for example.

IV. Foreign Aid Delivery Mechanisms

Parts I through III of this Report have focused on possible goals and objectives of U.S. foreign assistance in the post-Cold War era. In view of those proposals, this Part considers the pros and cons of two of the delivery mechanisms that may be employed to provide such aid: multilateral agencies and U.S. bilateral sources of assistance.¹⁷ The Working Group has not attempted to analyze the particular merits and/or drawbacks of development financing associated with each of the numerous multilateral development agencies. Similarly, it was not our intention to provide a comprehensive analysis of the structure and operations of AID. Rather, our goal in this portion of the Report is to provide a somewhat generic assessment of multilateral and bilateral assistance in view of the specific U.S. foreign assistance goals the Working Group has proposed.

A. A Dual-Track Approach to Foreign Assistance

As prior Parts of this Report suggest, the United States should continue to provide development assistance through both multilateral and bilateral channels. We view these two approaches as complementary. It is important for this country to continue to participate in -- and vigorously and consistently support -- multilateral aid institutions. In fact, the foreign assistance goals this Working Group has identified earlier in this Report may lend themselves to increased utilization of

¹⁷ As noted in the introduction to this Report, our analysis focuses on economic and development assistance rather than military aid programs.

multilateral financing mechanisms. As a consequence of recent and profound changes in our world, institutions such as the International Bank for Reconstruction and Development (the "World Bank") today count the countries of the former Eastern Bloc and the former Soviet Union among their members. American dollars channeled through such multilateral institutions work to support the growth and development of private enterprise and democracy in nations that only a few years ago represented a version of life unpalatable to most Americans.

While recognizing the importance of providing assistance through multilateral channels, the Working Group notes that the changing geopolitical environment has not obviated the need for a U.S. bilateral assistance program. Indeed, bilateral assistance has historically been the predominant emphasis of the U.S. program.¹⁸ To the contrary; the United States is uniquely positioned to provide direct assistance to countries now embarking on the path of developing market-oriented economies and nascent democratic systems. The Working Group recognizes and welcomes AID's focus on these two areas as key elements of its strategy of supporting "sustainable development" world-wide. The challenge at this juncture is to more clearly define the role of U.S. foreign assistance in a changed -- and changing -- world.

B. The Pros and Cons of Each Approach

In the early 1980s, the debate over the choice between multilateral and bilateral aid was laid out succinctly in an address by David Rockefeller before the Brookings Institution.¹⁹ In his remarks, Mr. Rockefeller listed the following arguments -- pro and con -- as those heard most frequently:

¹⁸ Report of the Task Force on Foreign Assistance to the Committee on Foreign Affairs, U.S. House of Representatives, H.Rep. 101-32, February 1989, at 8 (noting that "[m]ultilateral aid emerged in the early 1960s in conjunction with the 'development for development's sake' view, but has never become a dominant feature in American aid.>").

¹⁹ "The Roles of Multilateral and Bilateral Aid," by David Rockefeller in The Future Role of the World Bank, Edward R. Fried and Henry D. Owen, eds., The Brookings Institution, Washington, D.C. 1982.

Bilateral AidProsCons

ability to focus on
politically congenial nations

limited reach -- only one
country at a time

ability to focus
geographically

lack of multiplier (we don't
get the benefit of the help
of other nations)

ability to focus
programmatically (such as
family planning)

danger of becoming identified
with unsavory governments
with resulting resentment by
local population

ability to link closely to
private efforts on a project-
by-project basis

possible "colonialist"
interpretation

reduced flexibility through
congressional earmarking

resentment of other countries
not receiving bilateral aid
from us

Multilateral AidProsCons

multiplier effect

lack of U.S. control
(ideological, geographic and
programmatic)

relative political neutrality
and ability to insist on
sound development practices

difficulty of tailoring for
private involvement on case-
by-case basis

broad impact

shared "ownership"

greater continuity and
consistency

Based on our experience and observations, we would add
to that catalogue the following additional elements:

Bilateral AidProsCons

ability to foster U.S.
bilateral foreign relations

U.S. model and experiences
may not be appropriate

ability to foster people-to-people relationships

more difficult to sustain long-term projects

ability to project U.S. values

ability to be tied to U.S.-source goods, services, and systems

increased political leverage/influence

more flexible

counterweight to other countries' bilateral aid programs

Multilateral Aid

Pros

Cons

greater diversity of models (at least ideally)

slow moving

may have greater latitude to experiment (less subject to political constraints)

bloated international bureaucracies with expenses we cannot control

dragged down by countries opposing assistance

This head-to-head comparison brings the 'multilateral vs. bilateral aid' debate into stark relief. The original list also demonstrates the Cold War's significant influence on the underlying analysis. For example, the criticism that multilateral aid precludes the U.S. from exercising control over the recipients of such aid has to some extent (although certainly not completely) been diluted. Concerns with supplying U.S. dollars to "communist" nations lay at the heart of that concern. However, as a consequence of the recent political changes in Eastern Europe and the former Soviet Union and the resulting end of the Cold War, such reservations appear to have been substantially reduced.²⁰

Furthermore, a growing consensus with respect to development objectives among both lending and borrowing nations

²⁰ Some would argue that new reasons for exercising control over foreign assistance have replaced the Cold-War concerns.

has led, in the World Bank's view, to a "greater reliance on markets and a strong, but more limited role for government."²¹ Broader acceptance of a market-based approach to economic development has in turn allowed the Bank greater flexibility to support programs that promote privatization and the institutionalization of systems that underlie more democratic forms of governance.²² As noted recently, "[t]ypically, two of every three Bank operations include components that explicitly support private-sector development, up from about 40 percent four years ago."²³ This is a remarkable fact. As noted in Part II of this Report, establishing an institutional infrastructure in which the private sector can operate is critical to long-term development efforts.

C. Alternative Forms of Assistance are Both Complementary and Necessary

Overall, as a consequence of the changes our world has undergone in the last several years, the terms of the multilateral-bilateral assistance debate may have been significantly altered. Countries such as Russia and Poland are now full-fledged members of the World Bank, for example; this was not the case during earlier phases of the debate.²⁴ Today, greater receptivity to the assistance and influence of multilateral institutions can help pave the way for further change; the U.S. should be an active participant in this discourse.

The utility and value of multilateral assistance notwithstanding, bilateral assistance can and should play an important role in U.S. foreign assistance policy. Multilateral aid will never replace bilateral aid where key U.S. interests are involved. The three areas discussed in this Report are all areas where important U.S. interests are at stake, although not necessarily to the same extent in different places around the

²¹ The World Bank: Annual Report 1992, at 15.

²² See generally, World Bank Information Brief D.01.4-93, "Toward a Market Economy," (noting that in moving from centrally-planned economies to free market economic and social institutions, "[l]aws governing private corporations, banking and financial institutions must be put in place covering everything from ownership to bankruptcy, including intricate aspects of institutional, legal, and regulatory reforms.")

²³ The World Bank: Annual Report 1992, at 60.

²⁴ See generally, World Bank Information Brief J.01.4-93, "The Former Soviet Union and the World Bank," April 1993, (noting that in 1992, fourteen of the fifteen countries that comprised the former Soviet Union had become members of the World Bank).

globe. The foreign assistance challenge of the 90's will be prioritization of programs and allocation of limited resources. Where material but not necessarily key interests are not at stake, the multiplier effect of multilateral efforts may make that option more desirable.

While endorsing a continued strong bilateral program, we should reemphasize our concerns about how such a program is conceived and administered. A foreign aid program that is built around enduring values, which can be implemented programmatically on a long-term basis, will be a credible, sustainable program.

A reform of the FAA could serve as the vehicle for articulating the fundamental premises of a U.S. program in a clear and cogent fashion. We believe that the time is ripe to recognize that congressional micro-management, and politicization of foreign aid, has not produced the desired results, and that a new, more enduring approach is needed.

Respectfully submitted,

James H. Carter
Chair, Section of International
Law and Practice

February 1994

Attachment A

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HELEN KELLER

INTERNATIONAL

15 March 1994

The Honorable Lee Hamilton
 Chairman of House Foreign Affairs Committee
 2187 Rayburn House Office Building
 Washington, DC 20515-1409

Dear Congressman Hamilton:

The proposed bill H.R. 3765 represents a wonderful statement of policy, with which we agree.

I would like to suggest that this document be strengthened by including the specifics of appropriate actions which address the goals of the bill. In the past, actions were pinpointed in specific legislation to meet policy ideals such as the elimination of vitamin A deficiency and the control of onchocerciasis. With the elimination of Congressional earmarks, the bill should include specific directions to ensure that crucial programs are included as funding priorities. The issues that we feel need to have specific wording to protect funding include the following:

- Repeatedly, private voluntary organizations (PVOs) are mentioned as important partners in providing foreign assistance and upholding the principles of sustainable development. PVOs develop innovative programs as well as leverage governmental funds through private donations from citizens and corporations. Relatively minuscule funding has been allocated to private voluntary organizations through the United States Agency for International Development and this funding has been steadily declining. PVOs must specifically be included as important agents of foreign assistance with the requisite funding mechanisms specified.
- The Child Survival Program of USAID has been one of its most successful programs and has enhanced goodwill among recipient countries. Measurable progress has been clearly shown. In addition, Child Survival projects contribute to "population control" (to use the language of the bill). This important program is only cursorily mentioned in the document. Given the enormous contribution which nutrition makes to child survival and which child survival, in turn, makes to sustainable economic development, the issue of nutrition, and particularly micronutrient nutrition, needs to be emphasized.

- The United States has, until now, been a leader in funding nutrition programs for the world's children. The World Bank reported in 1993 that nutrition interventions are among the most cost-effective public health interventions, at less than \$10 per disability-adjusted life year saved (Source: World Bank Development Report, 1993). Vitamin A interventions are particularly effective, at \$1-\$2 per disability-adjusted life year saved. In the current bill, nutrition is mentioned primarily in terms of hunger, and micronutrients do not appear to be mentioned.

- In the last decade, foreign assistance for emergency and non-emergency feeding programs has actually contributed to increasing the incidence of completely preventable conditions such as xerophthalmia, pellagra, beriberi and scurvy in refugee camps. These deficiencies of vitamin A, niacin, thiamin and vitamin C, respectively, were caused because food containing these vitamins or food supplements were not provided. The bill should include specific mention of these micronutrients for any feeding programs. As mentioned above, the bill mentions only hunger, which may not be present during the aforementioned life-threatening nutritional deficiencies.

- In order for foreign assistance to be effective in improving the health status of vulnerable groups, funding must be committed over the long-term course of any given disease or negative causative factor being attacked. Although this point seems obvious, the most recent example where it has not been implemented is the case with USAID funding for river blindness. Funding at the level of \$2.5 million was made available to PVOs for only three years. However, the treatment of river blindness with the drug ivermectin requires ten years. USAID's current investments in health -- whether long-standing, as in nutrition, or new, as in river blindness -- must not be wasted by inadequate funding.

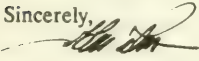
- In order for "population control" to contribute to sustainable economic development, children must not only survive, but be healthy and be productive. Conservation of crucial functions, such as vision, should be specifically mentioned and the contributions of nutrition and child survival interventions need to be specifically mentioned as well. Promotion of appropriate breastfeeding practices, which also benefits vitamin A status, needs to be clearly included whenever "population control" is mentioned because of the clear link between these practices and the increase in birth intervals. Specific micronutrients play a role in "population control" activities because of the irreversible damage that may occur among the declining number of children that will be born. Specifically, vitamin A deficiency may cause permanent blindness, iodine deficiency may cause irreparable mental retardation, and iron deficiency may cause anemia -- all conditions which clearly impinge on economic productivity.

Given the above considerations, relevant sections of the bill need to include specific mention of:

- the priority for clear funding mechanisms and adequate appropriations to support PVOs as partners;
- the contribution of the Child Survival Program and specific mechanisms to ensure that the financial input to preserve this program is in place;
- the contribution of interventions which preserve critical functions, such as vision, to sustainable economic development and "population control";
- the contribution of vitamin A interventions to sustainable economic development and "population control";
- the contribution of iodine interventions to sustainable economic development and "population control";
- the contribution of iron interventions to sustainable economic development and "population control";
- the contribution of breastfeeding promotion to nutrition, child survival, and "population control";
- the need for long-term commitments to nutrition, health and population interventions, such as that being made by PVOs in the control of river blindness through the use of ivermectin; and
- specific legislation to link emergency and non-emergency feeding programs to nutrition, including micronutrients, through:
 - approval of all food aid appropriations by a body of qualified nutritionists to ensure that nutritional needs -- including micronutrients -- will be met; and
 - requiring countries to submit a nutrition plan prior to receiving food aid.

Thank you for providing us with the opportunity to bring forward these suggestions. We appreciate your interest and commitment to PVOs as an integral part of our nation's foreign affairs programs.

Sincerely,


John M. Palmer
Executive Director

TESTIMONY OF RICHARD LONG
FOR THE INTERNATIONAL READING ASSOCIATION
ON BASIC EDUCATION
BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS
MARCH 15, 1994

Mr. Chairman and Members of the House Committee on Foreign Affairs, I am Richard Long, Washington Representative of the International Reading Association (IRA), an association of 94,000 members in 100 countries, the vast majority of which are elementary and secondary classroom teachers and reading specialists in the U.S. dedicated to increasing literacy and improving reading instruction. I am concerned that the proposed Foreign Assistance Act drafted by the Administration fails to address the educational and literacy needs of developing countries.

The Administration's proposed Foreign Assistance Act has six major goals: promoting sustainable development, including health, family planning, and conservation of the environment;¹ democracy; peace; humanitarian assistance; free trade; and diplomacy. The IRA supports these goals but is concerned that the importance of basic education will be lost, when in reality, we cannot possibly attain any of these goals without literate people.

It is alarming that there are an estimated 950 million illiterate people in the world and that two-thirds of illiterate individuals are women. Without literacy skills, people cannot fully participate in their society. They cannot read signs, maps, or warnings; they cannot learn about good health and family planning; they can't read medicine labels or instructions for contraception; and they cannot effectively participate in their government. Women who lack literacy skills represent a disproportionate share of the world's poor and are often marginalized and less productive participants in society. They tend to marry earlier and have more children, who are themselves often uneducated and at risk for increased health care needs. Countries which do not value

¹Sustainable development is defined by the Administration as "broad-based economic growth which protects the environment, enhances human capabilities, upholds democratic values, and improves the quality of life for current generations while preserving that opportunity for future generations.

education for women therefore tend to have higher birth rates, an increased number of uneducated children, lower economic production, and higher health care costs. Meeting the literacy needs of people in developing countries is by far the most fundamental investment foreign assistance can make. Without funding basic education, investments in the six central goals will only have temporary, short-lived effects.

Basic education encompasses instruction at the first or foundation level on which subsequent learning can be based. It includes early childhood and primary or elementary education for children; literacy, general knowledge, and life skills for youth and adults; and secondary education. With basic literacy and numeracy skills, people are equipped to become productive citizens, to protect the environment, and to support democratic forms of government (*Basic Education Report*, AED, 1993).

For example, USAID has assisted in making a significant difference in Nepal. A small grant from USAID enabled World Education to begin a pilot project that eventually became the Government of Nepal's national literacy program. The women who have had access to literacy training in Nepal (where the female literacy rate is 13.2 percent) (UNESCO, 1991) through the AID-funded Non-Formal Education (NFE) program have reported the positive impact the program has had on them. Once exposed to literacy courses, most women want to continue their education, including learning about productive activities and improving their economic status. When educated, women tend to marry later, have fewer children, are more knowledgeable about health, agricultural, and government issues, contribute to the economy and, overall, have the largest impact on development. The program evolved to respond to local needs of learners, facilitators, and government officials, and ultimately lead to a strategy for linking literacy training to development (UNESCO. Working with Rural Communities in Nepal. 1993, Document. No. ED-93/WS/29).

Overall, basic education has a direct impact on people's attitudes, behavior, and way of life. Education tends to foster tolerant attitudes and a respect for reason. Ethnic, religious, and other minorities who are able to participate and express their concerns in government are less likely to engage in violent forms of expression that weaken developmental and democratic prospects. In order for foreign assistance to promote democracy, citizens must therefore possess literacy skills and the ability to express their thoughts through nonviolent means. Without access to educational opportunities, a nation cannot achieve these qualities. Investments that promote democracy and peace without addressing the educational needs of the people are overlooking an essential step.

In the U.S., our policies recognize the connection between literacy and the ability to be self sufficient. Congress must recognize that in order to support the six goals outlined in the proposed Foreign Assistance Act, we must focus on the factors at the root of poverty, not only the *symptoms* of poverty. U.S. foreign aid currently tries to address the symptoms of hunger, poor health and sanitation, pollution, accelerated population growth, domestic strife, and international conflict. To address the root these problems, it is crucial that basic education and human resource development remain a distinct tool of U.S. foreign assistance. Our efforts to promote economic development and democracy can succeed if we continue to provide people in developing countries opportunities to educate themselves and to further contribute to the economic development of their nation. People are a nation's most important resource, and the literacy needs of people in developing countries must be addressed in order for our investments in sustainable development, democracy, population control, and trade to have any long-lasting effect. We are requesting that the Foreign Assistance Act continue to provide this essential and supportive source of funds through basic education.

LEE M. HANSEN FOR MEMBERS
COUNCILMAN

One Hundred Third Congress
Congress of the United States
Committee on Foreign Affairs
House of Representatives
Washington, DC 20515

April 1, 1993

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RICHARD J. GARDIN
REPUBLICAN CHIEF OF STAFF

The Honorable Warren Christopher
Secretary
Department of State
Washington, D.C. 20520

Dear Mr. Secretary:

I write to express my interest in the upcoming meeting in Vienna of the United Nations Commission on Crime Prevention and Criminal Justice. It is my hope and expectation that in addition to addressing crime control and prevention issues, the United States will also take the lead in directing the Commission's work in the area of standard setting and monitoring of prison conditions.

As you may know, the Commission on Crime Prevention and Criminal Justice — until last year a committee of technical experts — is the one place within the U.N. system where the issue of humane standards for prisoners can be addressed in detail. Issues such as prison conditions, medical care, and visitation for prisoners are not on the agenda at other U.N. human rights meetings, such as the U.N. Human Rights Commission, which deals almost exclusively with political prisoners. Yet political prisoners, convicted criminals, and detainees around the world all experience great suffering due to inhuman and degrading treatment within prison walls. Organizations such as Human Rights Watch, which reports on prison conditions around the world, have described grave abuses against prisoners even in countries whose human rights records are never examined in the international human rights fora.

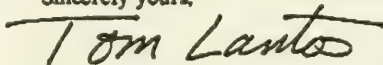
Part of the work of the Vienna-based U.N. unit on crime in the past has been to monitor compliance with the Standard Minimum Rules for the Treatment of Prisoners, a standard which was adopted by the United Nations in 1957. It is with regret that I learned that since the Committee of Experts was replaced with a political commission in 1991, the issue of human rights conditions within prisons appears to have fallen from the agenda.

The lack of emphasis on human rights is reflected in the report from the Commission's first session, held in April 1992. Human rights are barely mentioned in the report, and are not included among the list of priorities for the Commission's future work. This is a matter of particular concern in light of the fact that some of the governments represented on the Commission are extremely abusive. It is a chilling thought that Saudi Arabia, Cuba, Indonesia, China, and Libya will be among the Commission members responsible for interpreting the Standard Minimum Rules for the Treatment of Prisoners.

The United States can and should take the lead in insisting that the Commission return to its original mandate and take serious steps to seek adherence to the Standard Minimum Rules. The U.S. should insist that prison conditions be an important item on the agenda for the International Crime Control Congress planned for 1995. And our Government should seek ways to enhance reporting, reviewing, monitoring, and compliance with the Standard Minimum Rules. At a minimum, the Commission should resume its reporting function and send our questionnaires on prison conditions to all governments on a regular basis. Ideally, the Commission should set up a working group to receive complaints, investigate them, and make recommendations to governments.

In closing, I wish to report that human rights advocates which monitor prison conditions around the world have informed the Subcommittee that the only yardstick by which governments of all political persuasions can be held to account in terms of the treatment of the detained is in the U.N. Minimum Standards. Clearly, many governments fall short of the standards, and prisoners - convicted or merely detained - are held in subhuman environments around the world. Yet the international community has, by promulgating the Standard Minimum Rules nearly four decades ago, attempted to hold governments to a higher standard. The United States should be looking for a way to use international meetings such as the upcoming session in Vienna to bolster compliance with precious human rights instruments such as the Standard Minimum Rules. It is my hope that in issuing the instructions to our representatives to the meeting you will place human rights issues high on the agenda. I look forward to hearing a report of the meeting, and of the steps taken by the United States to promote human rights on this important occasion.

Sincerely yours,



Tom Lantos

Chairman

Subcommittee on International Security,
International Organizations and
Human Rights

AMERICAN COUNCIL ON EDUCATION

Office of the President

May 5, 1994

The Honorable Lee H. Hamilton
Chairman
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515-6128

Dear Chairman Hamilton:

Thank you for your letter of March 28, and invitation to submit written testimony for the record regarding H.R. 3765, the "Peace, Prosperity, and Democracy Act of 1994," a bill currently pending before the Foreign Affairs Committee. I am writing on behalf of six associations of college and university presidents. The combined membership of these associations represents over 2400 institutions from all sectors of American higher education. We are very grateful for this opportunity to express our views about how the legislation can broaden and strengthen our partnerships with federal agencies that will implement this legislation, particularly the U.S. Agency for International Development (USAID).

Mr. Chairman, we support the language in the Peace, Prosperity, and Democracy Act of 1994, which we find to be broadly inclusive of higher education as a partner and implementer of development. We endorse the bill's attention to strengthening indigenous university systems that support the development needs of their societies. We also agree with USAID Administrator J. Brian Atwood's stated desire to engage fully the higher education community as a partner in development, and to rely on the technical expertise it has to offer. We remain concerned, however, that these legislative guidelines will not be translated into USAID operational policies, notwithstanding the encouraging comments of the Administrator, unless more explicit policy directives are included in the legislation.

Colleges and universities have long played an important role in international development cooperation. They have engaged in collaborative research in many areas of agriculture and natural resources that have led not only to more productive crops and livestock, but to improved environmental methods, such as soil management in tropical areas. In addition to the considerable contribution in the agricultural area, colleges and universities have also provided expertise to assist indigenous education; to improve local

health care delivery; to develop government and legal systems; and to design innovative engineering, business, and industry strategies.

Through teaching, research, and writing, faculty and graduate students have helped educate the American public about the benefits to domestic interests resulting from international cooperation. Higher education institutions have also developed collaborative relationships with universities in developing countries and supported exchange programs for students and faculty.

In the past, the cooperative relationship between higher education and USAID has worked well in many areas, especially agriculture. College and university leaders believe that all parties involved benefit when USAID effectively leverages the resources and expertise of American higher education in implementing its strategic development assistance priorities. The recent, dramatic changes within the international community present new challenges for foreign assistance and new opportunities for USAID to build on the existing commitment and investment provided by higher education. Not only can our institutions provide a diverse portfolio of expertise but they also can use their established networks for sharing information gained from their experiences in development with domestic audiences, in academia, government, industry, other development agencies, and the public.

Despite past benefits of USAID-higher education collaboration, and in marked contrast to the guidelines for its continuation in H.R. 3765, current USAID strategies and draft guidelines do not include references to working relationships with higher education, either in the U.S. or overseas, nor to strengthening indigenous institutions of higher education so as to sustain development efforts.

While USAID mentions education as cross-cutting its four strategic priorities, for example, as an adjunct to fertility control and the productivity of the female work force, education is not identified as a necessary foundation for development. We fear that this "cross-cutting" approach to human capital development is viewed merely as coincidental or even incidental and may minimize the importance of adequate basic education and higher education more directly relevant to national and local development.

Our concerns are compounded when we learn that recent guidance to USAID missions does not emphasize human capital nor mention selective strengthening of indigenous higher education institutions. Clearly, USAID does not seem to value the essential role of higher education in developing and newly independent countries. Such omission will result in a steady erosion and shutting down of Agency work in education. This would be a costly mistake for our country's pursuit of global economic development.

We respectfully make the following recommendations. We believe they will ensure formal and effective mechanisms for engaging the full spectrum of higher education resources in global challenges confronting the country and USAID:

1. Make human capacity development a fifth USAID priority. It is essential that education be added to USAID's four "Strategies and Guidelines" of economic growth population and health, environment, and democracy, in a meaningful way. Formal education and appropriate training are necessary to produce effective development. Higher education assures that the indigenous leadership capacity needed to sustain economic growth will be developed. Access to education is the key to a democratic society.

2. Broaden USAID's functions and representation. We recommend that the legislation establish an Advisory Committee on Higher Education Partnerships for Global Development. This committee would provide advice and counsel to the Administrator to ensure that the higher education, science, and technology sectors play a vital and dynamic role in U.S. foreign assistance programs and policies. The Committee should comprise representatives from a broad spectrum of institutions of higher education, associations and centers who are knowledgeable about development. Such representation would include public and private research universities, HBCUs, baccalaureate and community colleges.

3. Deepen problem- and context-specific knowledge. It would be efficient and effective to form on-going technical consultative groups on (i) economic growth, (ii) environment, (iii) health and population, (iv) democratic institutions and processes, and (v) human capital development. These groups would provide advice and expertise to the Assistant Administrator for the Bureau of Global Programs, Field Support and Research, to the relevant Center directors in the Global Bureau, and, importantly, to the Bureau for Policy and Program Coordination. Appointees would be recognized experts in their respective fields with broad development expertise.

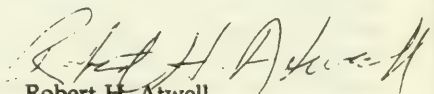
4. Promote collaborative development partnerships. It is critical that USAID's strategic objectives are pursued through cooperative modes that place responsibility for planning, management, financing, and evaluation on higher education institutions and their partner institutions. These institutions have expertise and resources to contribute. For example, the collaborative research support projects in agriculture, and the university development linkages projects, which involved leveraged funding, are successful models of this creative, participatory approach to solving development problems.

Colleges, universities, and other institutions and businesses have demonstrated in these programs, especially where there is a coincidence of interest, that they will match USAID's investments, at a ratio as high as 3 to 1. USAID should be encouraged to try new approaches and to develop networks of education leaders, scientists, and development practitioners. It would be especially useful to initiate a program of peer-reviewed competitions designed to identify and implement new, low-cost, institutional partnership approaches to development. These competitions could be operated in a fashion similar to a variety of merit-based grant competitions conducted by the National Science Foundation or at other funding agencies.

5. Expand development information and education. In addition to partnerships in overseas development, higher education institutions and their leaders could be encouraged to be more involved in informing the public and key organizations about US cooperative development and efforts to solve global problems. This is another area where a small competitive grants program could be used to identify the most creative and effective ideas for expanding the understanding by the American public of global development issues and how U.S. foreign assistance dollars are utilized.

Thank you for considering the concerns and recommendations of the higher education community. You can be assured of the strong support of our associations on behalf of our colleges and universities.

Sincerely,



Robert H. Atwell
President

On behalf of the following associations:
 American Association of Community Colleges
 American Association of State Colleges and Universities
 American Council on Education
 Association of American Universities
 National Association of Independent Colleges and Universities
 National Association of State Universities and Land-Grant Colleges

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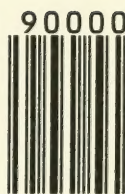


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